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ABSTRACT

This book contains eight papers presented at a symposium on the process of redefining the relationships between business and older workers and how older workers might enhance U.S. competitiveness, now and in the future. The book includes an introduction by U.S. Labor Secretary Robert B. Reich and an overview, "U.S. Competitiveness and the Aging Workforce: Toward Organizational and Institutional Change" (Rosabeth Moss Kanter). The following papers are included: "Business Restructuring and the Aging Workforce" (Michael Useem); "The New Workplace and Older Workers" (Douglas T. Hall, Philip H. Mirvis); "Developing the New Competitive Workforce" (Anthony P. Carnevale, Susan Carol Stone); "A Corporate Perspective on Competitiveness and Aging Workers" (Harold J. Tragash); "Understanding Labor Markets and Productive Activity through Race and Gender" (Barbara R. McIntosh); "Workforce Personality and the New Information Age Workplace" (Michael J. Driver); "A New Social Contract" (Ray Marshall); and "Aging and Competition" A Policy Action Agenda" (James A. Auerbach, Joyce C. Welsh). The book contains 178 references. (KC)

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Aging and Competition: Rebuilding the U.S. Workforce

Introduction by
Robert B. Reich
U.S. Secretary of Labor

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Aging and Competition: Rebuilding the U.S. Workforce

James A. Auerbach and Joyce C. Welsh
Editors

With an Introduction by
Robert B. Reich

The National Council on the Aging, Inc.
National Planning Association

**Aging and Competition:
Rebuilding the U.S. Workforce**

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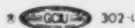
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James A. Auerbach and Joyce C. Welsh
Editors

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Preface

Increased competition from other countries has compelled the United States to undertake an extensive examination of methods to improve its own competitive edge. Workplace transformations and the restructuring of many of the nation's businesses are dramatically impacting the composition of the labor force. At the same time, the younger, entry-level workforce is decreasing and the older workforce is increasing. These aging workers have knowledge, experience, and a disciplined work ethic, all vitally important resources—largely untapped—that can help the nation maintain its competitive edge. The message of this book is that these great transformations do not have to be in opposition. Their coexistence can be of mutual, and national, benefit.

The National Council on the Aging, Inc. (NCOA), has historically been concerned with the social, economic, and public policy issues that affect the aging workforce. For many decades, the National Planning Association (NPA) has studied topics related to competitiveness, productivity, and the education and training of a skilled workforce. Because of these overlapping interests, NCOA and NPA jointly undertook the sponsorship of a symposium—and the resulting book—that focused on the issues connecting America's competitive position in the world with a workforce (and population) that is steadily aging.

Each of the authors was invited to deliver a paper on a specific crosscutting perspective on competitiveness and older workers. The papers were distributed in advance of the symposium, held in June 1993, to a select audience of private and public policymakers that included representatives from business, labor, government, and academia. The authors and the symposium participants engaged in extended discussion concerning the principal ideas and concepts in the papers. The authors then revised their work for this study, which is published jointly by NCOA and NPA.

THE NCOA-NPA SYMPOSIUM: INTERLOCKING ISSUES

The NCOA-NPA symposium held in June 1993 addressed the concerns surrounding America's ability to increase its global competitive position given a workforce that is steadily aging. Far-reaching issues related to the symposium's theme attracted attention and even controversy. Among them:

- Secretary of Labor Robert B. Reich and others in the Clinton administration argued, while advancing new legislation, that the employment problems of the 1990s differ from those of the past. A built-in structural difficulty now exists: many so-called layoffs are actually permanent suspensions reflecting the demise of entire industries or categories of jobs. The administration was therefore preparing to unveil not an unemployment program but a "re-employment" program. The Re-Employment Act will, in the words of Secretary Reich, "offer workers access to skill-building programs—for as long as a year and a half—along with income support to let them take advantage of longer-term training when they need it."
- The wide-ranging extent of downsizing in the restructuring of major corporations and smaller businesses was of growing concern. The immediate results of staff reductions or of other steps intended to cut costs and improve productivity often include improvements in the company's stock prices. A related concern was the widespread reliance by employers on inducements for early retirement, a tactic also meant to revitalize while slashing budgets. But at the symposium, as elsewhere, the question arose: will employers realize, perhaps too late, that they may have stripped their operations of valuable workers who might provide significant benefits if brought into restructuring schemes rather than being expelled from them?
- Proposals for employer mandates under several legislative health care approaches focused attention on the status of employer-provided benefits in general. Traditional retirement plans with defined benefits are on the wane, replaced increasingly by defined contribution plans that may or may not be relied on for steady retirement income. Many companies, including several of the nation's largest, have concluded that their pension allocations and retiree health benefits should be pared to new minimums.
- Finally, in the face of economic turbulence in the workplace, the issue arose concerning how long older workers should plan to remain in the labor force when gains in longevity suggest that more years of work make sense. This question has critical relevance in terms of the nation's need to retain the experience and talents of its older workers.

Advisory Council
Aging and Competition:
Rebuilding the U.S. Workforce

JAMES A. AUERBACH
Vice President,
National Planning Association

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ICF Information Technology, Inc.

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Director, Benefit Communication
and Family Care Program,
The Travelers

JOHN T. DUNLOP
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Harvard University

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International President,
Service Employees
International Union,
AFL-CIO

HAROLD J. TRAGASH
Executive Consultant,
Genesis Associates

JOYCE C. WELSH
Vice President,
National Council on the Aging, Inc.

JUDITH WINEMAN
Director, Retiree Service Department,
International Ladies' Garment
Workers' Union

Acknowledgments

The editors wish to express their appreciation to the contributors to this book and to those who participated in the symposium that preceded it. Our thanks, too, to those who assisted in the preparation of the manuscript: the professional editorial skills of Martha Lee Benz and William E. Oriol were critical in assuring clarity and cohesion, and Joan Berne and Carolyn Tozier provided meticulous copy editing. We are most grateful to the continuing presence and assistance of Dean R. Hewitt throughout this project—his insights, recommendations, and expertise in older worker issues shone through all stages of the project.

Finally, the symposium and this book would not have been possible without the support provided by the U.S. Administration on Aging and the National Eldercare Institute on Employment and Volunteerism, American Retail Group, Inc., AT&T, BellSouth, Exxon Corporation, GTE Corporation, Pioneer Hi-Bred International, SeaFirst Bank, and The Travelers.

About the Authors and Editors

James A. Auerbach is Vice President of the National Planning Association. He is also Director of NPA's Committee on New American Realities and of the Food and Agriculture Committee. Mr. Auerbach is an Adjunct Instructor of Labor Relations at the University of Virginia and former Chair of the National Business Advisory Board of the American School Counselor Association. He lectures at the U.S. State Department's Foreign Service Institute and recently coedited *The Future of Labor-Management Innovations in the United States*.

Anthony P. Carnevale is Vice President and Director of Human Resource Studies of the Committee for Economic Development. He was appointed by President Clinton as Chair of the National Commission for Employment Policy and by Secretary of Commerce Brown to the Board of Overseers for the Malcolm Baldrige National Quality Award. Dr. Carnevale has written numerous books and articles on competitiveness and human resources. His most recent books include *Quality Education: School Reform for the New American Economy* and *America and the New Economy: How New Competitive Standards Are Radically Changing American Workplaces*.

Michael J. Driver is Professor of Management and Organization at the University of Southern California. His research interests concentrate on the use of unique models of personality in various applications, including performance appraisal, selection, and team development. He has written two books, *Human Information Processing* and *The Dynamic Decision Maker*, as well as many articles for professional journals. Dr. Driver is also Chairman of Decision Dynamics Corporation.

Douglas T. (Tim) Hall is Professor of Organization Behavior at Boston University, where he also serves as Faculty Director for the Master's Programs in the School of Management. Dr. Hall is the Director of the Executive Development Roundtable and a core faculty member of the Human Resource Policy Institute. His research, which has been widely published, focuses on career development, women's careers, work/family balance, and executive succession. Among his books are *Careers in Organizations* and *Human Resource Management: Strategy, Design, and Implementation*.

Rosabeth Moss Kanter holds the Class of 1960 Chair as Professor of Business Administration at Harvard Business School. Her current research and teaching center on globalization, the management of cross-border collaboration, and the development of innovative, customer-directed companies. Professor Kanter is on the boards of directors of several publicly traded corporations and nonprofit organizations, and she advises major corporations all

over the world. She has served on government commissions on economic issues, including innovation and entrepreneurship, employee involvement, and takeover laws. She has published 11 books and over 150 articles and is a former editor of the *Harvard Business Review*. Professor Kanter's most recent book is *The Challenge of Organizational Change: How Companies Experience It and Leaders Guide It*, coauthored with Barry Stein and Todd Jick.

Ray Marshall is Audre and Bernard Rapoport Centennial Chair in Economics and Public Affairs at the University of Texas-Austin. His research interests include the economics of education and learning systems; the organization of work for high performance; the competitiveness of the American economy; disadvantaged business development programs; the impact of the North American Free Trade Agreement and the integration of Europe on employment, wages, and income; school-to-work systems; workplace learning systems; and private pension reform. He has written more than 30 books, most recently, *Thinking for a Living: Education and the Wealth of Nations* (with Marc Tucker) and *Losing Direction: Families, Human Resource Development and Economic Performance*. Dr. Marshall served as U.S. Secretary of Labor in the Carter administration.

Barbara R. McIntosh is an Associate Professor in the School of Business Administration at the University of Vermont, specializing in human resource issues, race and gender issues, the aging workforce, labor markets, and interorganizational behavior. Dr. McIntosh has refereed a wide variety of proceedings on these and related topics and has served as principal or coinvestigator for public and private grants on human resource issues. She has been published extensively in books, journals, and monographs.

Philip H. Mirvis is an organizational psychologist whose work involves large-scale organizational change and the character of the workforce and workplace. He has lectured and conducted seminars throughout the United States and abroad. His consulting work for public and nonprofit organizations centers on organizational development, the human side of mergers and acquisitions, corporate social responsibility, innovation and technological change, and cultural change. A regular contributor to academic and professional journals, he has also authored six books, most recently, *Building the Competitive Workforce: Investing in Human Capital for Corporate Success*.

Robert B. Reich is U.S. Secretary of Labor appointed by President Clinton. During his term, he has initiated passage of the School-to-Work Opportunities Act and the Re-Employment Act. Before coming to the Labor Department, Mr. Reich was on the faculty of Harvard University's John F. Kennedy School of Government. He also served as an assistant to the Solicitor General in the Ford administration and headed the policy planning staff of the Federal Trade Commission in the Carter administration. Mr. Reich is the

author of *The Work of Nations: Preparing Ourselves for 21st Century Capitalism* and six other books, as well as more than 200 articles on the global economy and the U.S. workforce.

Susan Carol Stone, head of Stone Communications, has worked over a 25-year period as a college professor, a human resource development professional, and a consultant with a focus on cultural diversity. She has written on international and cultural issues for professional publications and newspapers and is coauthor of *The American Advantage: Our Diverse Workforce*. Dr. Stone is currently studying the impact of Eastern thought and culture on American life.

Harold J. Tragash is Executive Consultant for Genesis Associates. Previously, he was Vice President, Corporate Quality and Productivity Improvement, Rhône-Poulenc Rorer Inc., with responsibility for assisting the Chairman and CEO in implementing total quality as a business strategy. He was with Xerox Corporation for 25 years and held many positions in management training and development, personnel research, and career planning. With a background in industrial and organizational psychology, Dr. Tragash focuses on human resource strategic planning, training, compensation, and employment administration. He has published numerous articles and authored chapters in books on human resource management.

Michael Useem is Professor of Sociology and Rose Term Professor in the School of Arts and Sciences and Professor of Management at the Wharton School, University of Pennsylvania. His teaching and research center on organizational design and development, human resources, and the social and political context of business. Professor Useem has been involved in extensive research on corporate organization and change. He has been published widely, most recently as author of *Executive Defense: Shareholder Power and Corporate Reorganization*.

Joyce C. Welsh is Vice President of the National Council on the Aging, Inc. She is responsible for developing and managing the Council's endeavors in the areas of age/work and retirement, mid-life planning, eldercare programming, and national educational and training conferences. She has written numerous monographs, chapters, and articles in the field of aging and work.

About This Book

The American workplace is undergoing two profound transformations that gathered extraordinary momentum as worldwide business competition intensified during the 1980s and early 1990s. The restructuring of the nation's way of work is occurring at the same time that the U.S. labor force is aging dramatically, with the probability of even higher numbers of older workers in the near future. These trends need not be at odds; in fact, their coexistence should be of mutual—and national—benefit.

But first, as the following chapters make clear, challenges of considerable magnitude must be understood and dealt with in innovative ways. Managers and workers must demonstrate new flexibility as already rapidly changing work patterns take on new forms.

One of the authors in this book defines the task ahead:

The aging of the American workforce creates a sense of urgency for a new social contract to encourage equity and high productivity economic strategies. It is particularly important to achieve these objectives while baby boomers are able to make their most effective economic contributions.

Ray Marshall

This book evolved from papers and commentary presented at a 1993 symposium conducted in Washington, D.C., by the National Council on the Aging, Inc., and the National Planning Association. The purpose of the symposium was to provide broad-based expertise to deal with the difficult process of redefining the relationships between business and older workers and how older workers might enhance U.S. competitiveness, now and in the future.

Introduction—A Global, Technological Economy

Robert B. Reich (U.S. Secretary of Labor) outlines the global and technological changes that have rendered obsolete the nation's "older strategy of high wages and high profits through standardized mass production . . . based on economies of scale." He calls for rapid response and flexibility in a still-changing economy and "a national economic strategy that puts people first." For the United States to stay competitive in the global economy, it must equally emphasize developing the skills of younger workers and utilizing the experience, maturity, know-how, and dependability of older workers.

Overview—U.S. Competitiveness and the Aging Workforce: Toward Organizational and Institutional Change

Rosabeth Moss Kanter (Harvard Business School) presents a contrast of perspectives. On one side are many managers who associate the older workforce with higher compensation costs, rising health and pension costs, seniority and tenure systems that make it harder to replace people, and uncertain returns from older workers' experience in the light of pressures for change. On the other side are advocates who see an urgent need to tap the skills and knowledge of experienced workers, particularly during a period of economic turbulence. She discusses ways that companies can utilize older workers and instill a sense of loyalty and respect in the workplace. "Let us keep in mind," she writes, "that conflict between economic and human issues is not inevitable."

PART I: THE IMPACT OF RESTRUCTURING ON BUSINESS, THE NEW WORKPLACE, AND THE AGING WORKFORCE

Chapter 1: Business Restructuring and the Aging Workforce

Michael Useem (Wharton School, University of Pennsylvania) discusses the restructuring that swept through American business during the late 1980s and early 1990s and its effects on older workers in particular. He identifies international competition, pressures by institutional investors, and emphasis on total quality management (TQM) as among the factors driving staff downsizing, the massive shedding of subsidiary businesses by conglomerates, and the creation of empowered work groups. Older workers have borne much of the brunt of these revolutionary business changes, as indicated in survey findings put forth by Useem:

- Older workers are concentrated among the companies and industries that have undertaken extensive restructuring.
- When large companies institute downsizing, incentives for early retirement spread more rapidly than any other single approach intended to avoid layoffs.
- U.S. Bureau of Labor Statistics studies indicate that of employees displaced by plant closings and company downsizings during the past decade, approximately one-third of the workers aged 55 to 65 had withdrawn from the labor force at the end of the study period. Two-thirds to three-fourths of the younger dislocated workers had typically found reemployment by that time, but only one-half of the older workers had done so.

- On the other hand, older workers who survive downsizing may benefit from the more challenging and more creative reorganized office or plant. The quality movement, for example, may especially benefit aging workers because companies that employ more older people frequently adopt TQM.

Although company restructuring can be expected to intensify, Useem believes that if it is pursued in ways that take advantage of the recognized experience of older workers, many may be spared the harshness of outplacement or forced retirement. If not, their talents may be lost not only to the companies that have cultivated them, but also to an economy increasingly in need of more seasoned work skills.

Chapter 2: The New Workplace and Older Workers

Organizational psychologists *Douglas T. Hall* (Boston University) and *Philip H. Mirvis* make the case that the complexity of today's competitive environment requires a more flexible, strategic mode of organization—an "adaptable" corporation that optimizes size and other advantages to maintain central control while encouraging employee initiative. Older workers, following "protean" careers, can make important contributions to this new workplace dynamic, but long-standing negative assumptions about them must be overcome if their place in the workforce is to be recognized and maximized. According to the authors:

- People aged 55 and over are projected to be nearly 30 percent of the U.S. working population by 2005 and almost 40 percent by 2020. A number of factors suggest that, in the future, more older Americans will want to—or may have to—remain in the labor force for a longer period.
- The adaptable or self-designing work system continuously invents responses to the complex changes in the work environment and abandons traditional definitions of the employee. The adaptable corporation is likely to assume a "federalist" form designed to promote individual empowerment as well as collective involvement in company efforts.
- For workers in the new, more flexible organization, to be protean on the job means to be proactive about career management—to master new skills and to manage new work relationships. Career development becomes personal development.
- For the vision of adaptable companies and proactive older employees to become reality, major attitudinal barriers need to

be overcome. Among them: that it is too costly to invest in older workers; that older workers are too inflexible and difficult to train; and that there are so few older workers they are not worth dealing with. Hall and Mirvis challenge these stereotypes and argue that the continuous development of older employees yields gains for economically rational organizations.

The authors anticipate that the combination of labor and skill shortages and demographic trends will leave the business sector and society as a whole no choice in the future but to employ and develop older workers.

Chapter 3: Developing the New Competitive Workforce

Anthony P. Carnevale (Committee for Economic Development) and *Susan Carol Stone* (Stone Communications) maintain that only a cultural shift in attitudes toward older Americans will bridge the growing chasm between America's age biases and demographic, economic, and political realities. It is in America's interests to provide a context that encourages an equal playing field for all workers, particularly older Americans, in their choices to mix work and leisure. The alternative, the authors stress, is greater cultural and political friction between young and old and an unaffordable economic dependency for older workers. The costs of age biases need to be reckoned with:

- Baby boomers are approaching the half-century mark and will surely challenge age stereotypes in the courts, in the culture, and at the ballot box. In addition, America's inability to afford a dependent elderly population of the magnitude suggested by current demographic trends should encourage a general economic interest in undoing the cultural biases against older workers.
- At a practical level, the creation of a more level playing field will require a reformed benefits structure, especially in the provision of health care as it applies to both part-time and full-time workers. It will also require more diverse working arrangements.
- Age neutrality should become the norm in the workplace. This means basing decisions not on age but on meaningful facts about individual workers—their work experience, skills, and how well they serve the employer's interests—and weighing the costs of their wages, benefits, and health care against their

quality of work, turnover, and other factors that influence the company's total productivity.

According to the authors, the 1990s should be viewed as a grace period between the days of abundant workforce entrants and the new realities of early 21st century demographics, which will dictate greater employer reliance on an older workforce. Current trends are greatly expanding the labor pool for employers: "injecting it with a large selection of skilled, experienced, and flexible workers." For older workers, these trends are unfolding "new avenues for a productive and healthier second—or third or fourth—career."

PART II: CROSSCUTTING PERSPECTIVES

Chapter 4: A Corporate Perspective on Competitiveness and Aging Workers

Harold J. Tragash (Genesis Associates, and formerly of Xerox Corporation and Rhône-Poulenc Rorer) writes that older workers are a "huge and growing percentage of the workforce," possessing an "enormous reservoir of creativity and productivity." However, many employers are unaware of the value added by experienced people. As the number of available younger workers declines, the need for more widespread "respect" of mature workers becomes more urgent. As Tragash points out:

- There are more than 24 million full-time employees in the United States over age 50, an increase of nearly 4 percent since 1987.
- The increase in older workers and the decline of younger workers must be treated as a competitive issue. This trend will influence the cost of goods and will inevitably lead to an imbalance in the ratio of active workers to pensioners.
- Surveys of worker attitudes indicate that middle-aged workers tend to be the employee group most dissatisfied about how they and the company are being managed. "Organizations," Tragash asserts, "do not understand the middle-ager's slump in job satisfaction. Aggressive work should be undertaken to determine its causes and the measures to prevent it."
- Employers generally overlook the career potentials of older workers even though there is evidence that people in their 50s maintain high levels of productivity, introduce useful innovations to the workplace, and have a strong desire "to contribute to excellence."

- The first sign that older workers are gaining respect in the workplace will be publicity about the organizations that exemplify the development of new arrangements with the aging workforce. Some organizations, such as Aetna Life Insurance, have begun to include retirees in temporary work pools, and Eastman Kodak and Exxon are known for their comprehensive retirement services. Other companies are employing innovative methods that focus on how to use the talents of older workers.

It is critical, Tragash states, for organization leadership to focus on identifying, encouraging, and implementing solutions to demographic and workplace issues. The energy currently being spent on addressing the issue of older workers' economic and health care security should also be applied to their other diverse needs.

Chapter 5: Understanding Labor Markets and Productive Activity Through Race and Gender

Barbara R. McIntosh (School of Business Administration, University of Vermont) writes that the economic climate and associated organizational changes have led to profound changes in the nature of work and in the expectations of individual workers. Employers are asking workers to do more than ever before; job security is no longer certain; and companies are providing more incentives for early retirement. These developments have been especially troubling for older workers. The emphasis on early retirement has contributed to the continuing trend among white men of retirement before age 65. However, the same pattern of expectations and behavior is not true for minorities and women, who now constitute an increasing share of the labor force. McIntosh points out that:

- Many older minority workers and a large number of older women remain occupationally trapped in low skill, low wage jobs with uncertain growth and limited advancement. Opportunities for skill training are sharply limited under existing employment practices.
- There is increasing evidence that race and gender contexts are essential in understanding the labor force participation of all workers, and it is crucial to recognize that differences exist among older subgroups of the population.
- Studies document a high degree of commitment to productive activity among black men and women across a variety of goods- and services-generating activities. They, as well as

white females, are committed to continuing activity at rates higher than those of white men.

- As full-time core positions become less available, contingent, particularly part-time work, traditionally occupied by women and minorities, could represent real opportunities for older workers.

McIntosh concludes that more attention must be paid to the differences that exist among older socioeconomic groups of the population. Each group "possesses characteristics and experiences that can be turned to advantage in the current labor market." She recommends building on the strengths of older women and minorities in both part-time employment and core markets because they are strongly committed to remaining productive and have a greater need to do so.

Chapter 6: Workforce Personality and the New Information Age Workplace

Just as the Industrial Revolution was a "paradigm shift" that revolutionized work and organizations, so is the new Information Revolution. This shift will require major adjustments at all levels of the workforce, and it will probably most affect older workers. Only when the key abilities and motives of any segment of the workforce are understood can workers be appropriately helped to make the transition to a new work paradigm. To understand the likely consequences for employees with varying "work personalities," **Michael J. Driver** (School of Business Management and Organization, University of Southern California) categorizes workers in terms of their decisionmaking styles and likely career patterns:

- Decision styles can be classified as Decisive, Flexible, Hierarchic (making extensive use of information to formulate one best plan of action), Integrative, and Systemic (a complex two-stage process in which high levels of information are absorbed and multiple strategies are developed). According to the author, most people learn at least several decision styles, and these can be changed as work requirements change. He discusses the relationship of these styles to the needs of the Information paradigm.
- Workers' choices of career type will also help determine their work relationships in the new Information age. Driver examines the career concepts of Linear, Expert, Spiral, and Transi-

tory and the difficulty older workers will have in shifting career concepts to meet the demands of the Information age.

Although the problems of a career concept fit for older workers may seem formidable, Driver believes that if personality factors are given due weight and understanding in training and other initiatives to keep pace with the new work paradigm, older workers will benefit accordingly.

PART III: IMPLICATIONS FOR POLICY AND PRACTICE

Chapter 7: A New Social Contract

According to *Ray Marshall* (University of Texas-Austin and former U.S. Secretary of Labor), whether the United States is able to realize its full potential as a prosperous, democratic society may depend on its ability to forge a national consensus on basic social and economic objectives. To attain such a social contract:

- There must be a shift away from negative trends that have dominated much of business's responses to global economic competition. Companies that attempt to adjust to change by laying off workers and maintaining prices, for instance, will quickly lose to firms that maintain capacity and employment and that adjust prices.
- Efforts should be directed to a high productivity, high income strategy that includes high minimum wages, collective bargaining and other forms of worker participation, and social safety nets, especially national health insurance.
- Learning skills for people of all ages should be markedly improved through revolutionary changes in educational opportunities. Older workers should share equally in this unleashing of new opportunity.

A laissez-faire government philosophy during the 1980s delayed the shaping of this new social contract, making it more urgently needed today. Negative attitudes about older workers cannot be permitted in an economy where ideas, skills, and knowledge are the main sources of economic success.

Chapter 8: Aging and Competition: A Policy Action Agenda

To attain this new social contract, editors *James A. Auerbach* (National Planning Association) and *Joyce C. Welsh* (National Coun-

cil on the Aging, Inc.) suggest that both private and public attention should be focused on taking a number of steps, including:

- Sponsoring public education programs through national business associations and unions to promote continuous employee training as part of a business's capital investment.
- Passing employment legislation along the lines of the Re-Employment Act, which links unemployment compensation with training/retraining while preserving older workers' networks to ensure targeted service at the local level.
- Providing full pension portability at the earliest opportunity.
- Passing a national health care plan that provides universal coverage.
- Improving education, oversight, and compliance with regard to legislation covering civil rights, gender, age, and disability.
- Urging large pension fund managers, including unions, to increase efforts to influence the development of a quality workforce and its continual renewal.

The editors join Ray Marshall in calling for a new social contract among business, employees, and government that will ensure the continuation and growth of the many benefits—economic, political, and social—that this country offers its citizens. A social contract is needed to prevent movement toward a two-tiered society and to acknowledge that the ability of older workers to contribute to U.S. competitiveness and to other areas can easily increase rather than diminish, with support and encouragement.

INTRODUCTION

A Global, Technological Economy

by Robert B. Reich

Hindsight being notoriously more accurate than foresight, it makes sense to take a look at where we have been before examining where we should be headed and what we must do to get there.

In the years following World War II, when America bestrode the economic world like a colossus, the principle of economies of scale flourished. The prosperity of the nation and the well-being of its citizens seemed inextricably connected to the success of the nation's core corporations and the mass production of the standardized products they made.

About 500 corporations composed the core of the economy. They produced about half of the nation's industrial output and employed more than one out of eight of the nation's nonfarm workers. Catering to the needs of these behemoths were several thousand large but not immense industrial corporations and a few substantial service firms.

In addition to flooding America with goods, the core corporations created the millions of jobs that swelled the ranks of America's growing middle class, who in turn enlarged the mass market for such goods. The prosperity and growth of America's middle class, along with the creation of millions of well-paying jobs requiring little education and limited skills, were triumphs of American capitalism for which the core corporations could claim significant credit. Despite these accomplishments, the America of the 1950s still harbored vast inequalities, and it would be decades before workplace barriers would begin to fall for minorities and women.

The prosperity generated by the core corporations solidified their acceptance by American society and strongly influenced thinking about the appropriate roles for business and government and how they should relate to each other. The result was what might be described as a national bargain. Government would not intrude on management prerogatives and would not enforce the antitrust laws with the vigor it had sometimes shown in the past. But government

would help continue corporate profitability through activities such as providing low interest home loans and controlling the money supply and public sector expenditures to smooth out the business cycle.

Government would also be primarily responsible for preparing young people for jobs. With high volume, standardized production the order of the day, this was not a particularly challenging task. Most jobs required little more than the ability to understand simple oral and written directives and sufficient self-control to carry them out. Primary and secondary schools often copied mass production techniques, with students moving from grade to grade through a stipulated sequence of standard subjects, as if on factory conveyor belts.

National defense, of course, was a government responsibility, but one that involved and benefited the core corporations. In the Cold War era, defense considerations served as a ready justification for public sector investment. Even the 40,000-mile new national highway system was justified as a means of spreading munitions across the country in case of war.

The billions of dollars spent on developing and building weapons systems generated commercial products, although this was rarely explicitly acknowledged. Small transistors invented by defense contractors found their way into everything from television sets to watches. Other products developed by the so-called military-industrial complex included hard plastics, lasers, jet engines and airframes, and an array of electronic gadgets.

The biggest harvest, from both direct spending on defense contracts and their commercial spinoffs, was reaped by core corporations, mostly aerospace and telecommunications. Two-thirds, by value, of all defense contracts in the 1950s and 1960s went to 100 core corporations.

Although foreign sales accounted for only a small portion of their business even into the 1960s, America's core corporations were extending the reach of American capitalism. This was a way not only of opening new markets but of combating the spread of communism as well. Along with exporting their products, American corporations spread their know-how—in the form of manufacturing facilities, distribution outlets, and advertising—around the world.

COMPETITION FROM ABROAD AND TECHNOLOGICAL INNOVATIONS

Relative simplicity was one of the strengths of the mass production system largely developed and perfected by American core

corporations. It also proved to be a weakness, or at least a factor in encouraging competition from abroad. The nations of western Europe, Japan, and the emerging industrial powers of the Pacific Rim could copy it. And they did, sometimes with the help of patents purchased in the early 1950s from American firms.

Within two decades, foreigners were exporting cars, televisions, household appliances, steel ingots, textiles, and other products to the United States at prices below those of America's core corporations. The willingness of foreign laborers to work for less than Americans was only part of the problem. What was truly humbling was that foreign competitors could build and manage factories as effectively as America's top executives. By the late 1960s, America's core corporations no longer could call the tune on prices. They were in a fierce competitive battle.

Rapidly advancing technologies also eroded the sturdy foundations of mass production. Computer-aided design and computer-integrated manufacturing enabled smaller firms to grab market niches away from the core corporations. Steadily, but with increasing speed, new product innovations based on new generations of technologies cut away at routine work based on economies of scale.

These two profound trends—toward a global economy and toward a technological economy—have shifted the ground out from under the American workforce.

CHANGE-RESISTANT POLITICAL PATHOLOGIES

Economic change on this scale causes pain, and pain inspires resistance. An alarming epidemic of what might be called the "political pathologies of economic change" is under way today. One of these is a misplaced nostalgia for the "good old economy" of the 1950s and 1960s. In this haze of fond remembrance, we forget the narrowness and insularity of a more self-sufficient national economy and the gross waste of human spirit and intellect when men and women still did the routine work better suited to the machines that do such work today. We forget that women and minorities had no hope of ascending to positions of corporate leadership. Not least, we forget the ultimate absurdity of dedicating so much of the economy—so much of the best of our physical, technological, and human resources—to preparing for an apocalyptic military confrontation that everyone prayed would never come.

A second political pathology of changing times can be called "preservationism." The dynamics of international competition, new

technologies, decreased defense spending, and corporate downsizing have shaken the economic ground under our feet. In these circumstances, it is not surprising that those who stand to lose will struggle fiercely to stay in place. Hence the spectacle, everywhere, of anxious Americans seeking shelter against workplace transformations caused by new technologies, demanding protection from low wage foreign competitors, and resisting the contraction of defense industries and the closure of military bases. As understandable as these concerns and fears are, the interests of American workers cannot be protected by encouraging efforts to turn back the clock. We must direct our attention to the tasks of solidifying our individual prospects and shoring up our common future.

The third political pathology of changing times—and by far the most dangerous—is “blame-casting.” It is often tempting, and far easier than coming to terms with a changing world, to define oneself as a victim and launch a search for villains. Some Americans, buffeted by economic turmoil, cast blame on foreign producers in Japan, Europe, or developing nations. Energies are squandered on efforts to shut out the perceived menaces from beyond U.S. borders. Instead, Americans should be searching for ways to smooth the transition from a national to a global economy, to facilitate new forms of collaboration, and to orchestrate the intricate give-and-take that the new economy requires.

Creating adversaries and fostering enmities to keep the old machinery alive, whether military or economic, will keep America neither safe nor prosperous. National economies have a way of spilling over their national boundaries. The reality is that the economies of Japan, Europe, and many newly industrialized countries are now intricately entwined with the U.S. economy. We cannot achieve prosperity by denying our interdependence.

The world is not a vast zero-sum game in which either “they” win or we win. Japan or Europe develops a new product. We benefit immediately from the option of buying it. We benefit even more in the long term as we scramble to do better, and we get smarter in the process. So it goes, continually. The human imagination, the source of innovations, is the world’s most infinitely renewable resource.

The world economy that once worked for the average American no longer exists. The older strategy of high wages and high profits through standardized mass production was based on economies of scale, not rapid response and flexibility. Neither this model nor the assumptions it embodies will sustain a solid American middle-class culture in the new global economy. Instead, American

competitiveness will be driven by a quite different model, in which the central activity is not steady mass production, but a process of constant experimentation, readjustment, and endless incremental improvements, set in a workplace designed to respond as rapidly as possible to new ideas and needs.

A HIGHER SKILLS STRATEGY

Our national economic strategy must be based on the flexibility and the productive power of our citizens. This higher skills approach has two tactical thrusts. The "supply side" of the strategy is to invest in a workforce that can compete successfully with the best the world can offer. The "demand side" of the strategy is to transform American workplaces into high performance enterprises organized around skilled front-line workers.

A national economic strategy that puts people first is not an outgrowth of ideology or a continuation of campaign sloganeering. It is a hard-nosed response to economic reality. U.S. competitive strategy must be based on the American workforce because the people are the only resource that remains in any meaningful sense "American." Trademarks, venture capital, blueprints, bank loans, formulas, technical breakthroughs, new software, and every other productive factor flow with increasing ease back and forth across borders in response to economic forces transcending national interests. Our only real asset is our capacity to work together productively. Our only realistic strategy hinges on investing in that collective capacity.

Investing in our capacity to compete requires preparing all American children to learn. It requires topnotch teachers, workable class sizes, and parents who care about performance, and who care enough to put pressure on their children and the schools. It requires college loans for those choosing college, to be paid back as a small percentage of annual income. For those not choosing college, strategic investment requires sign-posted paths from school to work, including apprenticeship training in classrooms and workplaces. Investing in our capacity to compete also requires meeting the health care needs of today's and tomorrow's workers.

EXPERIENCE, MATURITY, AND DEPENDABILITY

Our emphasis on education and training of the young must be matched by a similar commitment to make full use of the productive

capacity of older workers. Experience, maturity, know-how, dependability, and other positive traits that characterize older workers have always been important to any nation seeking to build and maintain a competitive economy. Their importance to the American economy is likely to increase rather than diminish in the years ahead. Over the next decade, the labor force will be expanding at an unusually slow pace. Fewer new workers will be entering the job market.

Public investment in education and training must be coupled with private investment in new ways to work better and smarter. This requires an end to rigid job classifications and work rules. It requires employee participation in setting productivity and quality goals and employee responsibility for determining how to meet those goals. It requires new pay systems that give front-line workers a real stake in performance, where base pay is supplemented with bonuses linked to profits. It requires workplaces committed to continuous, on-the-job skills upgrading.

If America fails the test of change, if we balk at the challenge of making all Americans productive citizens of the global economy, there is real danger that American culture will fragment. Strains will build between the well-educated minority who will prosper in the new global economy and the majority who will continue to lose ground. The American community has held up under more than 200 years of shocks and stresses, but we are edging dangerously close to a clear and permanent loss of a common economic destiny.

We must begin to reverse this erosion of commonwealth and rebuild an ethic of investment. We must anchor our common prosperity on our ever-growing capacity to create, innovate, and adapt together. This restoration of the traditional American openness to change is essential not just for a competitive America, but for an America that can deliver on the promise of a better life for all.

OVERVIEW

U.S. Competitiveness and the Aging Workforce: Toward Organizational and Institutional Change

by Rosabeth Moss Kanter

If society does the right things, America could enter the 21st century better able to join economic interests and human interests, the needs of business and the needs of labor. In July 1993, the U.S. Secretaries of Commerce and Labor convened a historic joint summit on the Future of the American Workplace. And the National Planning Association and the National Council on the Aging have gathered authorities on business and labor to work together on the juncture between economic competitiveness and workforce needs.

This is a great opportunity, but first Americans must acknowledge the problem—and the magnitude of change required in assumptions and expectations as well as in institutions and policies.

Perceptions about the issue of U.S. competitiveness and the aging workforce depend on one's vantage point and on whether or not the aim is to help businesses be more competitive in the new economy or to help people find and keep good jobs.

* * *

To be candid, from the point of view of American companies seeking to be more competitive in the global economy, the aging workforce is a mixed blessing. Many companies associate it not with a loyal, experienced workforce knowledgeable about its employers' business but with:

- higher compensation costs as more people reach the upper levels of pay scales;
- rising health care and pension costs;
- seniority and tenure systems that make it hard to replace people;

- uncertain returns from "experience" in light of pressures for innovation and change.

While the macro consequences of the age profile of the workforce are well-portrayed by aggregate labor force and wage statistics, the micro consequences of demographics are poorly understood and highly variable from industry to industry. What are the benefits of experience, including depth of skill, long practice, and an established relationship network? Are they greater or less than the benefits of a fresh perspective and newer knowledge? If companies can get new skills, why should they renew skills? Which companies in which industries require what mix? (Note that cutting-edge high technology industries tend to have an age profile younger than that of industry as a whole.) In some situations, experience and long practice are tremendous assets; in others, they are sources of rigidity. In some cases, the latest knowledge unencumbered by historical memory is a tremendous asset; in others, it creates naiveté and the potential for foolish blunders. The literature contains remarkably little research telling which is which.

Many managers show age bias in their assumption that inflexibility and resistance to change grow with age, yet it is younger workers who are often the most difficult to teach, the least literate and numerate, and the most difficult to mobilize behind organizational goals? In the 1970s, the "youthing" of the American workforce was considered a potential problem. Almost two decades ago, as the baby boom generation began to enter the workforce in large numbers, I attended conferences on demographic shifts in the workforce that called for organizational changes in response to the problems of a *younger* workforce. At that time, it was thought that because younger workers were less experienced, they would lower productivity. They would be more arrogant and harder to manage because of the experiences they had just had growing up in the child-centered 1950s and 1960s. They would be more rights conscious and would put more demands on organizations. Thus, many human resource managers then were decrying youth and clamoring for maturity; they expressed willingness to pay a premium for experience.

Now the problem that human resource managers discuss is a shrinking pool of young entrants and an aging workforce. What happens to the competitiveness of an organization when it has fewer competitors for entry-level jobs? How does it find enough people with appropriate qualifications for those entry jobs? Or how can people be motivated and rewarded when they have too many com-

petitors for a decreasing number of promotions? Will organizational conflicts ensue? Will people "retire on the job" as unmotivated underperformers? What are the costs of having a high proportion of the entire workforce at the upper ends of pay scales rather than the lower ends? At a time when most organizations, whether in the private or public sector, desperately need innovation and change, how do they tap new knowledge, the latest knowledge out of school, and renew the skills of their workforce? How do they reduce bureaucracy—which often means cutting middle and upper layers of the pyramid occupied by older people who earned those positions after many years of hard work and loyal service? In the early 1980s, my colleagues and I were hired by IBM to do a study on how to increase turnover. IBM was then enjoying praise from industry in general for lifetime employment and for having turnover well below comparable organizations; the company offered security and obtained workforce stability. But IBM was very concerned about stagnation; people sat on jobs as sinecures, sometimes underperforming because they knew they could be sidetracked but not fired. Reorganizations were often used as the only way to move people out of key positions. Events of a decade later proved that IBM was indeed glutted with too many people and that its business was stagnating.

The concern with stagnation was not specifically age-related at IBM. But it is in higher education. Many university officials are concerned about maintaining their vitality in light of (1) the tenure system, (2) a forthcoming end to mandatory retirement, and (3) a decrease in the college-age population. The three combined phenomena drastically reduce the number of openings for new scholars with fresh perspectives or new knowledge.

America is not the only country concerned about an aging workforce. So are America's major industrial trading partners, the Organization for Economic Cooperation and Development (OECD) nations and Japan. In contrast, developing nations have more growth potential in their economies and a younger age profile in their workforces associated with lower wages, more recent education for those in higher skills jobs, lower pension obligations, and fewer older people to be supported after they stop working. As this contrast becomes more visible, concerns about competitiveness, especially with respect to manufacturing, are occurring throughout the industrialized world. Furthermore, private sector and public sector restructuring that displaces jobs and reduces large organization employment is occurring in all industrialized countries. Even large Japanese companies are rethinking their corporate structures and

staffs, beginning to outsource departments or lay off personnel despite vaunted "lifetime employment." The United States is not alone in facing the challenge of economic and demographic change.

America needs to do something about the new demographic reality accompanying the competitiveness challenge for business. Society must find more ways to retrain and renew the skills of the older workforce to make it more productive and desirable, as Robert Reich points out. Society must find more ways to constitute careers that no longer depend on long job ladders in large, hierarchical bureaucracies with inefficient layers, as noted by Philip Mirvis, Douglas Hall, and Michael Driver. It must find ways to reduce costs without abruptly reducing jobs. It must promote organizational flexibility and innovation without producing a de-motivating flux. The creation of jobs must be encouraged, and people must be helped while making transitions to these jobs—and helped while making transitions out of the workforce smoothly and comfortably.

* * *

To be equally candid, from the point of view of many middle-aged and older American citizens and workers, improvement in the competitiveness of U.S. companies is a mixed blessing.

Many human service advocates associate it not with more productive companies that compete effectively with foreign producers to strengthen the U.S. economy and create new jobs in new enterprises, but with:

- new process technologies that eliminate jobs or reduce their quality, e.g., through machine-paced reductions in service organizations;
- more focused organizations that engage in fewer lines of business and outsource internal departments, displacing jobs from more secure "core" organizations in the primary labor market to less secure "peripheral" organizations in the secondary labor market;
- reduction of bureaucracy and increase in speed and customer responsiveness, reducing layers, decreasing promotion prospects, and eliminating jobs;
- a search for flexibility and innovation resulting in a preference for newer knowledge;
- escalating emphasis on international markets and global sourcing, increasing demands for geographic mobility.

It is hard for all aging Americans and their advocates to applaud increases in the profitability and global market share of companies like General Electric when that success is achieved with far fewer jobs. Long-run economic benefits are abstract and intangible; short-term displacements are concrete, tangible, and close to home. Economic changes do benefit some people even in the short run. But they dislocate others and make it harder for still others who have always been left out to find a way into the labor market of good jobs.

"Age" by itself is not a social category; an "older workforce" includes a variety of circumstances. The nation needs to disaggregate the part of the workforce being addressed. *Forbes* magazine's list of the 400 wealthiest Americans and *Business Week's* list of the top 1,000 chief executives include many older Americans. Is age itself an issue for such people? Or assume that action against age discrimination is a strong public priority, along with action against sex and race discrimination: would *Fortune* magazine make a list of the companies with the oldest CEOs, the way magazines honor companies with the highest proportion of women?

I doubt it. Performance is more important than age. Further, those holding the reins of power do not need new social policies for themselves; they make social policy out of concern for the success of their companies or the country as a whole.

Human service advocates are concerned with neglected parts of the population, particularly those excluded from the workforce. Older professionals have many more alternatives than do less skilled workers, for whom social mechanisms are necessary to build skills and find jobs. The issues of an older, experienced male manager are very different from those of a female homemaker in her 50s who wants to enter the workforce for the first time after her last child leaves home or her husband dies or other family circumstances change. Her situation is not a direct consequence of corporate employment policies. Helping people like her depends on the availability of social mechanisms designed to help people in those circumstances develop marketable skills.

People whose needs have been neglected generally have been left to flounder on their own in America. But growth in their numbers, because of demographic shifts and economic dislocations, creates a constituency that can seek action. Their issues have been around a long time, but only when the numbers of those who have them increase is attention paid to them.

Two major groups have been hardest hit by economic changes. First, a variety of people ranging from inner city youth to displaced

homemakers to immigrant garment workers have been neglected and may have always had those unmet needs. Today, the number of people in that category is getting bigger, and their chances of finding good jobs are getting smaller.

Second, some people are being sidetracked, underemployed, or pushed out of the workforce. A certain number of workers have always been in marginal positions, including managers and professionals—known in companies by pejorative terms such as “over the hill,” “retired on the job,” “put out to pasture,” or, as one hears in Japan, “window sitting” (all labels reflecting age bias). But demographic and economic shifts mean that this group, like the first, is getting bigger.

Neither group will be served, however, by forcing companies to stop making changes in order to protect jobs or by forcing companies to take on new welfare burdens. Human service advocates often define the issue of U.S. competitiveness and the aging workforce primarily in terms of detrimental consequences for the workforce of changes in U.S. corporations and the U.S. economy. They focus on distribution of economic benefits, a political fairness issue, rather than on creation of them, an economic performance issue. There is sometimes an antibusiness bias, a distrust of corporations—for example, an assumption that all large companies are inhumane, profit-extracting vehicles that abuse their flexibility.

A focus on serving individuals neither deals with competitiveness on the national level nor builds a collective commitment to contribute to total economic prosperity. The issue can be posed differently: how can people and their skills help U.S. companies in dealing with the global economy? All Americans, especially older Americans who are counting on pensions and investments for their well-being, have a stake in a strong economy with profitable enterprises. In other parts of the world, especially in growth regions in Asia, a more nationalistic rather than individualistic point of view is often expressed. In Singapore, for example, throughout one annual conference the National Productivity Board played a major radio jingle it was launching that urged citizens to “do a little bit more for Singapore.” The lyric points up attitude distinctions between the United States and Singapore; in Singapore the goal is not simply what workers can get for themselves, but rather what kinds of positive contributions citizens can make to the development of the country, for everyone’s benefit. This is part of a new social compact proposed by Ray Marshall in this publication.

From an organizational perspective, companies need to understand how demographic phenomena, including population aging, affect competitiveness. But equally important, from a human perspective, Americans need to understand what makes people productive at any age and what makes it possible for them to sustain economic self-sufficiency. The United States must give people the social support needed to make a smoother transition from one job to another or in and out of the labor force, but without making them dependent on either welfare or the whims of large institutions. The nation must find ways to help people of any age become better able to create their jobs as well as to find jobs. The country must give people tools and skills to contribute to the process of innovation. The means to innovation must be forthcoming whether the skills and tools go to a worker inside an organization who can thereby increase the firm's competitiveness or to an independent entrepreneur with a bright idea.

* * *

This "Overview" began by posing the issues starkly, by setting up a contrast of perspectives. But let us keep in mind that conflict between economic and human issues is not inevitable. If companies are uncompetitive because their costs are too high, that does not automatically mean that their wages are too high or their people too many. As they cut tasks or steps, many organizations also discover new business opportunities that could represent ways to redeploy people. Nor is workforce aging necessarily associated with lower productivity or higher costs for companies. Evidence compiled by Betty Friedan for her new book, *The Fountain of Age*, shows that when people have the chance to remain active, they are also healthier—a factor that reduces total system costs. Change is necessary in some instances: organizations must restructure and people must retire. Even in these cases, however, gradual transitions are better than abrupt dislocations. Furthermore, continuous gradual change is better for organizations and people than occasional discontinuous change.

To compete effectively in the global economy, businesses must attract, retain, motivate, and effectively utilize the most talented people they can find. Several studies have found a positive association between economic competitiveness and company cultures with people-centered policies, including my own research for my book

The Change Masters. People do not want to invest their talents without feeling they are getting enough in return. But also, people themselves must take initiative to improve competitiveness; that is not a responsibility only of senior management—nor a matter of age. How does society get the right balance between needs and responsibilities?

Economic restructuring requires a shift of expectations. Some of the distress caused by economic change goes beyond actual job displacement. The United States, for example, creates far more jobs than its industrialized counterparts, and people remain out of work for far shorter periods. But workplace tensions stem from violations of expectations. Concerns created by restructuring and other organizational changes represent anger at broken promises and anxiety about the relevance of people's past life choices and investments.

What I hear in the comments of some middle-aged Americans is that it is difficult for people to change their ideas about life after they have already lived much of it one way. People who started out under one set of expectations not too long ago must adjust to a new set of expectations. They can no longer plan on lifetime (or even long-term) employment with one firm. In addition, workers must accept new realities such as "I'm not going to be taken care of" and "I can't expect the next job in line." For older workers, the changes in what they can expect come at a time when most people hope to be rewarded for years of contribution—for years of service to particular organizations. Instead of being honored, however, many of them feel punished or blamed if a company's performance is weak and restructuring is necessary. To add injury to insult, corporate reengineering often eliminates the jobs of older workers.

New situations are arising in the nation, then, that Americans must face squarely rather than wish away. As the experience of real people differs from the assumptions embedded in social policies, the nation must challenge traditional thinking and develop innovative solutions.

NEW REALITIES, NEW ASSUMPTIONS

The job tenure ideal of the past is conflicting with the job insecurity reality of the present. It is harder and harder to get the right balance between the needs of employers and employees with assumptions and policies that derive from the corporatist model of the past 50 years.

Many social policies have not caught up with the new realities of employment. For much of the 20th century, large employers were

expected to provide—and guarantee—jobs, benefits, and upward mobility. Long-term employment has long been considered a central component of high commitment, high productivity work systems. Corporate entitlements, from health benefits to pensions, were based on an assumption of longevity (especially as U.S. employers were expected to offer benefits provided by governments in other countries). Now, recessionary pressures and sweeping industrial transformations are forcing large companies to downsize—a euphemism that masks the human turmoil involved. Even in Japan, the bastion of lifetime employment in big businesses, in which nearly three-fourths of the country's 60 million workers have stayed with one employer throughout their working lives, cutbacks and layoffs beginning in 1992 have been shaking the social contract.

America has had a two-tiered society even for those in the workforce. People employed full time by large organizations enjoyed a full array of benefits often not available to those outside core organizations. Many social welfare policies in America have been administered through large employers that do not want to bear the cost any longer, may not be able to pay the cost any longer, may not even exist any longer if merged or bought out, and may not, as a result of slower growth and productivity improvements, be able to employ as many people even if they continue to operate. Clearly, America needs to move away from the private systems that operate through the goodwill of large employers and that neglect some people altogether toward public systems, as exemplified by the Clinton administration's plan for health security.

Organizations in both the private and public sectors need the flexibility to innovate, reorganize, and restructure. That builds a stronger, more competitive economy in the long run. According to a series of studies by French economist Robert Boyer, in industrialized countries through the 1970s, job security was associated with higher productivity (though not with product innovation, which never correlated with security). But in the 1980s, the connection disappeared. Many nations, including France, loosened regulations to permit employers greater discretion in hiring and firing as part of national competitiveness initiatives.

Rather than trying to slow down mobility, churn, or displacement, policies should acknowledge their prevalence—and then serve the needs of people affected by them. Policies should help people deal with mobility rather than try to hold them in place.

Social policies can no longer be based on assumptions that wealthy, stable, large organizations can provide longevity of employ-

ment and steadily rising incomes throughout the employment life cycle. Consider what has happened to corporate power and careers in recent years.

DECLINE OF THE LARGE INDUSTRIAL CORPORATION

Two decades ago, large industrial firms were thought to determine America's industrial strength as well as serve as a primary source of jobs. But large companies have shrunk in both size and importance, and unions that negotiated job security in major industries have declined with them. Service and small-business companies take on the lion's share of job creation, while America's large companies face formidable foreign competition. Capitalism, once assumed to be exemplified by American individualism, finds some of its best 1990s practitioners flourishing under value systems that foster greater business-government cooperation than in the United States. Singapore, South Korea, and Hong Kong enjoyed the world's highest mean economic growth between the 1970s and the 1990s; Taiwan and Japan were not far behind. The entrepreneurial success of the overseas Chinese—a group that dominates the economies of many other emerging Southeast Asian nations—has been widely noted.

The preeminence of the giant American corporation has been undermined not only by foreign competition but also by an entrepreneurial surge within the United States. Although some analysts have criticized American individualism as ill-suited to the global economy, others have praised it as a distinctive strength. Entrepreneurship is an American strength that can serve as a counterweight to corporatism in terms of images of success. The rapid growth of new high technology companies has presented a compelling alternative model of business success.

The United States has been fortunate in not depending solely on large enterprises. America has a vibrant entrepreneurial economy, a small-business sector that creates a higher proportion of jobs than are similarly created in European nations. But employment in smaller organizations is inherently less secure, especially given the high failure rate of new small businesses, and such jobs often come without the benefits and safeguards mandated for companies with more than 50 employees. Some Americans count on entrepreneurs to pull the country out of the economic doldrums as large companies sputter and downsize. But an entrepreneurial economy is full of

churn and displacement—and the fate of small companies is often linked to the fate of big ones that they supply and service.

Both the small-business renaissance and a global perspective have made it clear how rigid and parochial the traditional American industrial corporation has become. Increasingly, even large American companies have begun to emulate the innovation and team spirit of smaller ones as well as to look beyond their boundaries for ideas about how to be competitive. The process of change, seeded in the 1980s and accelerated in the 1990s, is loosening structures and breaching boundaries, dramatically changing the employment outlook and career context.

Two decades ago, careers in large organizations were reasonably secure, in part because of a combination of economic growth and discrimination. The workforce was virtually homogeneous within any layer or field, mirroring occupational segregation in the society at large. White males dominated the managerial and professional ranks, their ethnicity suppressed by business-suited blandness. Women were largely confined to the clerical ranks. Minority women, black or Hispanic, joined white women in urban locations, but were largely absent from suburban offices. Minorities were concentrated in factories or urban ghettos.

But by the 1990s the pool of competitors for any position had grown to include a much wider range of people, from outside as well as inside the company, and from many countries, especially in engineering fields in which the labor market was already global. And the orderly corporate career bounded by a secure internal labor market has crumbled in the earthquakes of change, as a result of factors such as:

- (1) looser structures and project teams bypassing vertical hierarchies;
- (2) the professionalizing of managerial work;
- (3) corporate downsizing and delayering;
- (4) reliance on outsourcing, external supply networks, and a growing contingent workforce.

The first two factors have opened opportunity to more people—by loosening the grip of hierarchy and giving talented people a better chance to run business units earlier in their careers. But the last two have reduced opportunity by undermining employment security and forcing people into the external labor market. In general, the four developments favor younger workers; they benefit from earlier access to power and influence. These factors disadvantage

older workers; they are more likely to be cut loose in restructuring efforts. This becomes clear from an examination of each phenomenon.

(1) Loosening and Bypassing Hierarchy: The High Tech Model

First, newer high technology firms operate with looser organizational structures and different career assumptions. The entrepreneurial (some would say chaotic) nature of these and other recently founded companies provides many more options for career growth and for nontraditional moves. Rapid growth has made them hungry for people. Traditions and structures are not yet solidified. Innovation requires flexibility in the deployment of people. A preference for new knowledge is one reason such companies generally have an age profile that is younger than the age profile of more established firms.

Company identification is also not so strong. Regular movement of people in and out of positions means that turnover is treated casually. Entrepreneurial dynamism often involves wandering talent; Silicon Valley was built by roving engineers. Fast growth start-ups base human resource policies on offering great jobs, not guaranteed ones, for people who are still young enough not to worry about their futures. Apple Computer reached \$1 billion in sales before it had a pension plan.

Dependence on a company's formal career paths is lessened by a growing use of team mechanisms and participative vehicles that bypass the hierarchy. Most characteristic of newer high tech firms, such mechanisms have become more common across industries in the 1990s in the wake of total quality management (TQM) programs and efforts to "reengineer" the business to reduce cycle time. Both approaches rely heavily on cross-functional teams.

(2) White Collar Workers as Mobile Professionals

A continuing professionalizing of management and related white collar occupations weakens workers' dependence on a particular company to form a career and heightens the emphasis on portable skills as a major factor in career opportunity. The growth of formal management education—from 389 graduate programs in business administration with 32,000 students earning master's degrees in 1973 to 668 programs with 77,000 graduates by 1990—provides credentials and networks for managers to take their skills from company to

company. General managers for hire move from one general management position to another, not necessarily coming up through a single organization and not necessarily staying with one. Executive secretaries, too, have defined the professional aspects of their jobs and sought certification through a professional association.

Managerial and professional categories increasingly overlap. Managers are expected to retain professional skills longer in their careers—as marketers, financial experts, or engineers—in response to organizations that are flatter but also to the need for in-depth knowledge as performance pressures increase. At the same time, many companies have created formal career paths for professionals, providing the chance to rise in pay and status without becoming a manager, to counter incentives to abandon the profession for a managerial post. Such dual ladders have appeared for engineers, scientists, and sales specialists—though there are suspicions that these ladders are second-class, second-best compromises. In some companies, professionals are accorded the status of managers—the privileges, influence, or inclusion in management meetings—without the responsibilities and are also recognized for technical achievements in their fields. This gives some knowledge-intensive companies the flavor of a community of professionals on a university campus.

(3) Downsizing and Delaying

The increasing uncertainty and instability of corporate careers are a direct result of the restructuring of large corporations—mergers, acquisitions, divestitures, consolidation of functions, reduction of levels, and the elimination of jobs. Between 1981 and 1986, nearly 11 million people were classified by the Bureau of Labor Statistics as “displaced workers,” almost 10 percent of the civilian labor force.

Staffs in large firms are dwindling in relative numbers. In the 1980s, total employment in companies with 1,000 or more workers fell by 1.2 million. By 1990, only about 11 percent of the American nonfarm labor force were employed by Fortune 500 companies, down from more than 20 percent in the late 1960s and over 15 percent in 1984. Jobs are being lost through corporate restructuring not one by one but thousand by ten thousand, many of which will never return. The Clinton administration’s National Performance Review proposes a similar restructuring of the federal government, the largest U.S. employer, that will create further job dislocations. And health care reform will force organizational adjustments in another large sector of the economy.

The irony of the growth of human resource development programs in corporations during the past decade is that more people at lower levels gained theoretical access to promotion while the actual number of slots "above" declined. If a company restructured to find synergies by combining operations with an acquired company, downsized by reducing management layers, or reengineered processes to create fewer steps, the result was fewer "high level" jobs. Still-employed survivors of restructuring efforts are thus well aware that although they might still have a job, they probably lack a career—at least in the traditional sense of progress up a job ladder. And future prospects are uncertain and insecure.

(4) Outsourcing and the Contingent Workforce

Replacing internal departments with external suppliers of services and using temporary help have produced what has been called a "just-in-time workforce," or the "externalization of employment." Traditional large corporations ran with a great deal of "fat"—extra staff or layers, departments performing services not clearly connected to the core mission of the firm. The traditional compensation system rewarded managers for creating layers and enlarging their empires. Traditional career systems tied rewards to promotions and offered the illusion of many promotions. The illusion was created not only by increasing the number of job grades (to make it possible to keep moving people up at regular intervals) but also by increasing the number of functions performed internally so that the pyramid expanded in width, creating still more promotion prospects.

But the new model emphasizes running "lean." Apple Computer, for example, reported setting records in sales per employee, taking pride in how the company could stretch to do more with the workforce before it added staff. Even newer companies, such as Sun Microsystems, make outsourcing a way of life—using outside suppliers and independent contractors to perform many of the tasks of employees in traditional companies. With the company at almost \$2 billion in sales and 10,000 employees, Sun's CEO, Scott McNealy, predicted that it would grow to \$10 billion in sales quickly—still with 10,000 Sun employees.

Turning outside for services that had been performed internally is part of the restructuring binge initiated in the 1980s. Travel departments, food services, market research, and supervisor training were among the functions some corporations thought could be performed

more efficiently by vendors, allowing the company to substitute supplier contracts for fixed employment costs and reduce administrative overhead. Sometimes internal functions were spun off as separate companies, giving the former employees an entrepreneurial incentive (and also entrepreneurial insecurity). In other cases they were simply shut down. At the same time, the use of temporary workers increased. By 1986, 735,000 workers were employed by temporary help agencies, and the industry had almost doubled in size since 1982. More than half the new jobs created between 1980 and 1988 went to contingent workers. By the end of the decade, it was estimated that 95 percent of American corporations used temporary workers. The Bureau of Labor Statistics expects that, by the year 2000, about 80 percent of American jobs will be in the service sector, a sector that uses 75 percent of temporary employees.

The nature of temporary workers ("temps") shifted from those doing routine work to those with professional skills for special projects, from computer experts to accountants. Professional temps like the freedom to move around, the high pay, and the absence of office pressures and politics. The attitude toward them is also quite different from that formerly felt for the temporary female typist. Temporary firms have begun offering fringe benefits to their cadres of mobile professionals in order to keep them in the pool. And companies have begun imitating the temporary agencies. Fidelity Investments organized TempWorks, a flexible in-house pool of temporary employees, to maximize workforce flexibility while enhancing quality and loyalty.

As contracting out continues and companies substitute supplier alliances for permanent employment, more people may expect to find their careers in "producer-service" industries. These include advertising, computer and data processing, building maintenance, accounting and auditing, engineering, architecture, and protective, detective, and legal services—all fast growing employment areas. The new corporate career, then, is a blend of professional and entrepreneurial principles, premised on more contingent jobs. Although only a small proportion of jobs are contingent in the fullest sense—for example, temporary subcontractors—all jobs today have a greater contingency factor. Paychecks are fixed less by status than by contributions. Continuing employment, let alone promotion prospects, increasingly depends on company performance rather than individual performance. Macro factors, such as the company's ability to remain in business or its strategic decisions about outsourcing, contribute to growing uncertainty and disorder in careers.

Overall, institutionally dependent careers are declining; self-reliant careers as professionals and entrepreneurs are ever more necessary. But many people are disadvantaged by them as long as part-time, self-employed, contract, displaced, or mobile workers cannot enjoy the same opportunities and benefits that accrue to those employed full time by stable, prosperous, and generally larger organizations—and as long as there are few easily accessible social mechanisms for making transitions from one kind of work to another.

* * *

The new realities can be addressed in three principal ways:

- (1) through policies that help people cope with change with a minimum of loss;
- (2) through new job creation, bypassing the large corporate sector;
- (3) through developing a new social contract based on "employability security."

PORTABILITY, FLEXIBILITY, AND MOBILITY

Americans are lucky to find new jobs faster than Europeans; only 6 percent remain unemployed after a year, compared with more than one-third in Europe. But what about the quality of those jobs? Americans are propelled to find new jobs quickly—even if they are undercompensated and underemployed in those jobs—because Americans lack the social supports common in European countries. And many of the unemployed with few opportunities become discouraged workers, dropping out of the labor force. Discouragement is a factor in the decision of some older workers to retire.

Structural changes in industries contribute to a mismatch between people and jobs. In many parts of the world, labor shortages and labor surpluses coexist. The workforce has one skills profile, but jobs have another. According to a University of Michigan study, the United States has too few electrical engineers, dentists, biological scientists, and legal assistants, but too many telephone operators, butchers, barbers, and plumbers. (Vocational counselors also are in short supply; could the deficit be part of the problem?) The mismatch is in part a result of failing to upgrade skills and retrain people for new jobs. There are too many data processors and statistical clerks, for example, but too few computer scientists; too many typists, stenographers, and machine operators, but too few computer sys-

tems analysts. Surely some of those handling the data could learn to handle the systems. There is an urgent need for increased mechanisms to connect skills training, at school age and throughout the life cycle, with areas of demand.

An economy promising continuing change requires more than better mechanisms to match skills to jobs. It also needs ways to ensure that when people move from job to job, employer to employer, they do not leave accumulated benefits behind them. Therefore, "portability" is an important principle for a workforce experiencing more churn and less security that jobs will be long term. Benefits should not be employer-specific even if employer-paid or employer-administered. Pensions should be portable.

Furthermore, transition support for dislocated workers should help them reenter the workforce in a stronger position, not a weaker one. For example, unemployment insurance could be used to gain new skills or to start a business; in some states, unemployment insurance can be paid in a lump sum if used as start-up capital for a new business. (A Clinton administration proposal would provide lump-sum payments also for workers who want to move to another state to find a job—an important form of flexibility when industries relocate.)

Time flexibility in the workplace is needed for all age groups to address mobility issues as well as human needs. If younger people of child-bearing age need it for child care, older people seeking renewal or transition to retirement need it for exploring alternatives. Phased retirement, for example, has better outcomes in terms of economic and psychological well-being than abrupt and total withdrawal from the workplace.

JOB CREATION: THE ENTREPRENEURSHIP CONNECTION

If some jobs are being eliminated, there must be explicit mechanisms to encourage creation of new ones and smooth the transition to them.

Where do jobs come from in the first place? It is unrealistic to assume that just because people want jobs, they should have them; or that as long as their skills are increased, there are institutions with jobs to be had. People find jobs not simply because established organizations create new positions and fill vacancies, especially in an environment in which more and more organizations are no longer automatically filling every vacancy. People create their own jobs and jobs for others through internal and external entrepreneurship. The

89 percent of the population that is not employed in Fortune 500 companies is found not only in large government and nonprofit organizations (themselves undergoing downsizing), but also in mid-sized and smaller businesses.

A high proportion of jobs created in America in recent years in the private sector has come from smaller businesses. That is only logical: new ideas produce new businesses and even create new markets and new industries. Many other countries envy America's vital small-business sector as a significant job-creation engine. In the United Kingdom, where unemployment has topped 10 percent, economic planners are eager to start more small businesses—from high tech start-ups to neighborhood enterprises such as repair shops owned by automobile mechanics.

There are many benefits to greater levels of entrepreneurship. The actions of entrepreneurs revitalize industry with the development of new technologies, which either directly or indirectly create jobs. The economy thus becomes more competitive. Entrepreneurs themselves enjoy the flexibility to establish personally satisfying working conditions as they become less dependent on large organizations for worth or well-being. They sharpen general business skills and learn new ones. And the experience of viewing a business holistically introduces its leader to other important skills that would be useful in the general job market if the new business venture fails.

Even disadvantaged workers can benefit from entrepreneurship. Instead of simply being trained for jobs and continuing their dependence on large institutions that might or might not be able to provide for all of their needs, they can be taught skills that could help them to start their own businesses—in groups (for example, displaced homemakers' collectives) as well as individually. The "community capitalism" of two decades ago, still reflected in today's community development corporations, brings social and psychological benefits to communities along with jobs. Training for entrepreneurship does not relegate the disadvantaged permanently to sole proprietorships or small businesses on the periphery of the economy. If they then are successful in those businesses, they may, in fact, be more employable by larger, established institutions.

Small business has long been a route for integrating nontraditional workers into the economic mainstream, often helping to move them from the secondary to the primary labor force. Small business has been a force for economic progress among immigrants and ethnic minorities. And for women, entrepreneurship has been critical. Smaller, newer, and more entrepreneurial companies have pro-

vided more opportunities for women to exercise significant leadership than have large corporations. Women often feel blocked in the bigger firms, even in managerial positions.

By 1989, women were chief executives of nearly 8 percent of 25,000 small biotech, medical, pharmaceutical, and electronics companies, according to a data base compiled by Corporate Technology Information Services, Inc. Software companies with female CEOs, such as Autodesk and ASK, are noteworthy for high numbers of women executives, who constitute a third or more of total corporate officers. Businesses owned by women have grown in both numbers and revenue for 15 years. According to the Small Business Administration, women owned 32 percent of sole proprietorships in 1990, up from 26 percent in 1980, and were expected to form businesses 1.5 times faster than men in the 1990s. Starting a business is increasingly viewed as a career alternative by young women. Joline Godfrey, a former Polaroid manager who left to start her own venture with Polaroid's initial backing, began a nationwide program in 1992, "An Income of Her Own," to encourage teenage girls to think about entrepreneurship.

The female entrepreneurial boom is in part a response to blocked or distorted opportunity in large established companies. Women are more likely than men to come to even high technology companies from nontraditional backgrounds, such as teaching, public relations, social work, or government—or to be put into jobs without sufficient experience or preparation. For example, the president of Cholestech left her large corporate employer because she felt she was pushed up too fast, without gaining the experience she needed, and she resented being the token female executive. She considered herself at the front wave of women in their 30s who would be ready over the next decade to build their own high tech businesses.

For many middle-aged and older workers who are pushed out by restructuring or feel blocked from further progress, starting businesses of their own has often been a cherished dream. Indeed, many people in so-called retirement from large organizations have already started with each owning a small business, whether an antique store in the garage on Cape Cod or a franchise that always looked tempting.

But while there are many programs for youth entrepreneurship, from Junior Achievement to An Income of Her Own, there is a notable absence of help for those at the other end of the life cycle—even though their maturity should improve their business judgment. Just the opposite: retired workers are expected, through programs

like the retired executives corps, to mentor and counsel the young or provide *pro bono* assistance to others who are in business. Imagine the benefits if the American Association of Retired Persons (AARP) used its gigantic membership to start a venture capital fund or match business opportunities with member skills. Imagine the payoff a community could get if it mounted a Senior Achievement Program alongside Junior Achievement, aimed at new business formation.

America needs to emphasize self-reliance coupled with social support. A focus on entrepreneurship includes policies that help small businesses form, that help people direct their own economic fortunes rather than being dependent on large institutions that can no longer carry the burden. It includes skills training—obtaining the skills and self-confidence needed to run the shop rather than simply training to do someone else's job. To this should be added capital formation mechanisms, including community development banks and loans for small businesses. Large or established organizations need to emphasize innovation and entrepreneurship. Then their ideas for new or improved products that take the goods to new markets can bring new jobs to the large organizations as well, making it possible to retrain people for growth areas rather than cutting them in downsizing campaigns.

Many older Americans already make excellent small-business people. Some even develop their enterprises into very large companies: for example, Ray Kroc, who took over and built McDonald's into a giant enterprise starting in his 60s. But others would have great difficulty in similar positions. To help upgrade skills, Michael Driver suggests that universities get involved in career counseling and self-assessment. Universities could also fill the need for education about the realities of different job environments for the older workforce as well as for young students. AARP or other advocacy organizations could develop counseling programs to help people make realistic choices.

Some might say that self-reliance and the skills for entrepreneurship and innovation apply to only a limited segment of the workforce. Robert Reich has shown that America has a bifurcated workforce; only part of the workforce has education, the ability to learn, high income, and high expectations for the future. But what about the large group with lesser abilities to learn or adapt, who are just not in a position to take advantage of entrepreneurial opportunities? Or what about those for whom self-reliance may mean just breaking even rather than getting ahead?

The disadvantaged could perhaps do better with a tilt of social policies toward entrepreneurship. Just as the small-business sector has been a faster route to leadership than the corporate sector for women, it could be a faster route to well-being for talented older workers squeezed out by restructuring. While entrepreneurship is not the solution to every problem, neither is putting people through mediocre job-training programs for jobs that do not exist, or forcing employers to keep people they do not need on the payroll. Furthermore, entrepreneurship within established companies is a way to encourage better training and utilization of the workforce. There is often more talent, even if not formally educated, than companies use. It is now predictable that when a company provides opportunities for workers to contribute more ideas or to take more control of their pieces of the factory, the workers will turn out to be smarter and more capable of starting new things than managers thought.

By relying on a distinctively American strength—entrepreneurship—it is possible to rethink how society deals with issues of both U.S. competitiveness and accommodating the needs of the workforce for good jobs at good wages, because the nation cannot expect large corporations to solve the jobs problem. Threatened by foreign competition, large firms cannot carry the burden of the whole society.

Business is rejuvenated by innovation—new ideas and new ways of working—and not simply by becoming more efficient at performing traditional work. The idea behind an emphasis on entrepreneurship for the aging workforce is not to force people to take more risk, but to give them the tools to take more responsibility.

TOWARD AN "EMPLOYABILITY SECURITY" CONTRACT

New policies must reflect new forms of security while embracing the emerging realities of flexibility, mobility, and change.

If security no longer comes automatically from being employed, it must come from being employable. Even if employers tried to offer employment security, it would be greeted with skepticism in the current economic environment. But employability security—the knowledge that today's work will enhance a person's value in terms of future opportunities—is a promise that can be made, believed, and kept.

Employability security derives from the chance to accumulate human capital—skills and reputation—that can be invested in new opportunities as they arise. No matter what changes take place,

people with desirable expertise are in a better position to find gainful employment with the current company or with another company or on their own. For example, a senior executive developing new ventures for a materials company offered no guarantees of continued employment to the people he recruited, promising instead, "If they give the new business a whirl, they will be a better and more saleable person for it." The proof of his proposition was seen when he left three years later to join a rapidly growing venture capital firm.

Even in cases in which employment security is promised, the employment guarantee is only possible because of programs aimed at ensuring employability. Companies can offer to invest in retraining and career counseling to upgrade people's skills continually so they will always be employable, though specific jobs might disappear and they might have to prove their ability to contribute to the company over and over again throughout their careers.

Continual upgrading of skills and pursuit of new opportunities are lifelong propositions even inside a single corporation, an essential part of the corporate fitness regime for global competition. In the wake of restructuring and downsizing, social safety nets are needed to help people upgrade skills and deal with the costs of transition as they seek new jobs or plan new businesses. Helping men and women succeed as mobile professionals is a matter of public self-interest.

A society that encourages investment in human capital via continuing education, training, and support for new venture creation can help people feel secure even when they move across companies or invent their own jobs. A new social contract between employers and employees needs to be grounded in the new realities. It should help the company by giving it flexibility to add or delete products, open or close facilities, and redeploy the workforce. It should show people what the company is willing to do to help them build their own futures. It should be an explicit statement of how much people are valued. And it should be a commitment to specific actions in the workplace, such as:

- recruiting for the potential to increase in competence, not simply for narrow skills to fill today's slots;
- offering abundant learning opportunities, from formal training to lunchtime seminars—the equivalent of three weeks a year;
- providing challenging jobs and rotating assignments that allow growth in skills even without promotion to higher jobs;

- measuring performance beyond accounting numbers and sharing the data to allow learning by doing and continuous improvement—turning everyone into self-guided professionals;
- retraining employees as soon as jobs become obsolete;
- emphasizing team-building, to help a diverse workforce appreciate and utilize fully each other's skills;
- recognizing individual and team achievements, thereby building external reputations and offering tangible indicators of value;
- providing educational sabbaticals, external internships, or personal time-out to help people cope with life cycle issues or begin to learn new fields as they make transitions to new phases, such as retirement;
- finding job opportunities in the company's network of suppliers, customers, and venture partners;
- ensuring that pensions and benefits are portable, so that people have safety nets for the future even if they seek employment elsewhere;
- helping people be productive while carrying family responsibilities, through flextime, provision for family care-taking, and renewal breaks between major assignments;
- building human capital by inventorying employee capabilities and using them more imaginatively;
- encouraging entrepreneurship—new ventures within the company or outside that help employees learn how to start businesses, run businesses, and create alternative sources of employment;
- tapping people's ideas to develop innovations that lower costs, serve customers, and create new markets—the best foundation for business growth and continuing employment, and the source of funds to reinvest in continuous learning.

Policies like these could benefit productivity and competitiveness while renewing loyalty and commitment for people of all ages. But the policies would also make it more likely that older workers

would renew their skills to remain productive longer—or find that passage to a new phase of work and life is smoother.

* * *

Retraining and antidiscrimination regulations are traditional solutions for the problems of an aging workforce. To increase U.S. competitiveness, society needs the additional option provided when people learn how to start businesses—freeing them from dependency on large institutions. No single step or policy will solve the problems of America or guarantee that everybody will lead a good life and make a lot of money. Multiple actions are required.

I began by pointing to a possible tension between economic and political forces: between the directions in which businesses must head to improve their competitiveness and the needs and desires of a large, politically vocal constituency of older Americans. It is extremely important to address these issues before political conflicts erupt that threaten either the flexibility of U.S. companies, and therefore the wellspring of economic well-being, or the economic opportunity and security of the aging workforce. The National Planning Association and the National Council on the Aging deserve great credit for bringing analysis and dialogue to public attention through their symposium and book.

Surely Americans do not want to turn business competitiveness and workforce aging into a zero-sum game—benefits for one at the expense of the other. Therefore, society must seek innovative solutions by challenging conventional wisdom and rethinking traditional institutions. Organizational change on the part of employers requires institutional change in the framework for human resource development and management in America.

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PART I

**The Impact of Restructuring on
Business, the New Workplace,
and the Aging Workforce**

Business Restructuring and the Aging Workforce

by Michael Useem

"While employee experience is being reshaped by ongoing changes in organizational form, organizational form is simultaneously being reshaped by ongoing changes in age demography."

The chief executive of a financial services company mused about the two-year restructuring of the company he had founded. His "reinvention" of the firm included actions ranging from team building to cost cutting. Transcending the age-old "the boss is king" model, his empowered work system reaped rich dividends, yet it also carried a darker side for seasoned employees. Although 300 workers were added to the company's roster of 1,200 employees during the restructuring, 200 were dismissed. The chief executive noted that some of the older workers simply proved unadaptable. Fresh, younger, and less expensive employees provided the flexibility he needed to complete the renewal.

A dozen middle managers in a large, still regulated utility discussed their company's restructuring to face an increasingly competitive environment. Some observed that the older employees proved slow at mastering the firm's new ways: they seemed less prepared to change jobs, to face customers, and to work as teams. But other middle managers, many with the company for years, cited counterexamples, including themselves. They had had to change, they pointed out, or they would have been left behind. They represented years of experience, and now the task was to refashion the company and themselves to capitalize on it, preempting senior management's strategic alternative of pressing for early retirement and recruiting a younger workforce.

ISSUES AT THE NCOA-NPA SYMPOSIUM: Participants' Concerns . . . Author's Responses

Paul Mayrand (Office of Special Targeted Programs, U.S. Department of Labor) pointed out that once companies have found ways to reduce costs, they will continue to operate at this level. He was concerned that older workers in companies that were restructuring would not fare as well as younger workers. Useem agreed that companies undertaking certain restructuring and downsizing actions do have greater concentrations of older workers and that the profit motive would adversely affect their job security. He also noted that the adoption of early retirement schemes as a downsizing strategy is increasing. However, he stressed that those who were not forced into early retirement or laid off could experience better, more challenging working conditions that could bring additional responsibilities. Useem added that older workers may particularly benefit from the total quality movement because firms with more older workers

more frequently introduce TQM programs.

Terry A. Barclay (President, Operation ABLE of Michigan) noted that when companies downsize, it is often their most productive workers who take buyouts or prematurely retire, significantly affecting productivity. Although little data exist on this issue, Useem pointed to a study of AT&T managers after the breakup into regional telephone companies in which no discernible difference in terms of productivity and supervisor ratings was found between those who retired early and those who did not. Many managers opted for early retirement because they had a poor relationship with their boss or because they were forced out by the firm. Useem saw this as an issue of managing age diversity and suggested that employers take advantage of the experience of older, well-qualified workers to ensure that their more seasoned work skills will not be lost to the companies that cultivate their talents.

Some older employees have become victims and others beneficiaries of the corporate restructuring that swept through American business during the late 1980s and early 1990s. Downsizing carries great costs for the dismissed, and survivors face slower income growth and greater insecurity. But those remaining also confront more challenging work environments as the principles of high performance work systems find increasing application. The aging workforce shares this environment with millions of employees. Older workers being paid by the hour feel a squeeze on wages, and older

middle managers feel a squeeze on status. Virtually all are expected to do more with less, yet many also believe that the new, more empowered work environment is an improvement over the old.

CORPORATE RESTRUCTURING

Restructuring is defined here to include substantial company changes in ownership, financial structure, or organizational form. Few large firms failed to take some of these actions during the 1980s. Fortune 500 manufacturing firms, the traditional home of high wage and high security jobs, employed 15.9 million in 1980, but only 12.4 million in 1990. Of the 500 companies on the Fortune industrial list in 1980, one-third no longer existed as independent entities by 1990. In a massive shedding of unrelated lines of business, product sector diversity among the Fortune 500 declined by over one-half (see Table 1-1). Employment among the Fortune 500 manufacturing and service companies grew rapidly during the decade, but even the expansion of these firms leveled off in the early 1990s (see Figure 1-1).¹

International competition, the total quality management (TQM) movement, and institutional investors were among the drivers of the restructuring, as was the recession of the early 1990s. The economic downturn seems to be passing, but the other factors are not. Data from a 1992 survey by the American Management Association (AMA) show the importance of restructuring factors over time and reveal that some restructuring elements transcend business cycles.² The recession's slackened demand loomed large in business

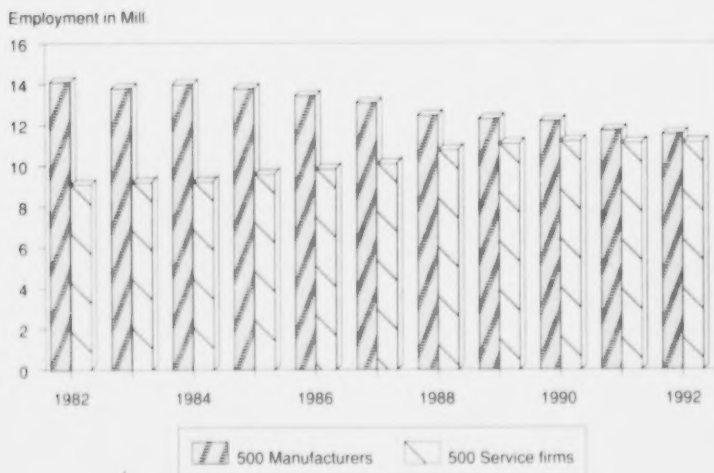
TABLE 1-1
Restructuring of Large Manufacturing
Companies, 1980-90

Of the Fortune 500 largest manufacturing firms
between 1980 and 1990:

- 1 in 3 received a takeover bid
 - 1 in 3 ceased to exist as independent firms
 - Employment dropped from 15.9 to 12.4 million
 - Product sector diversity declined by over one-half
-

FIGURE 1-1

**Total Employment of Fortune 500 Manufacturers
and 500 Service Firms, 1982-92**



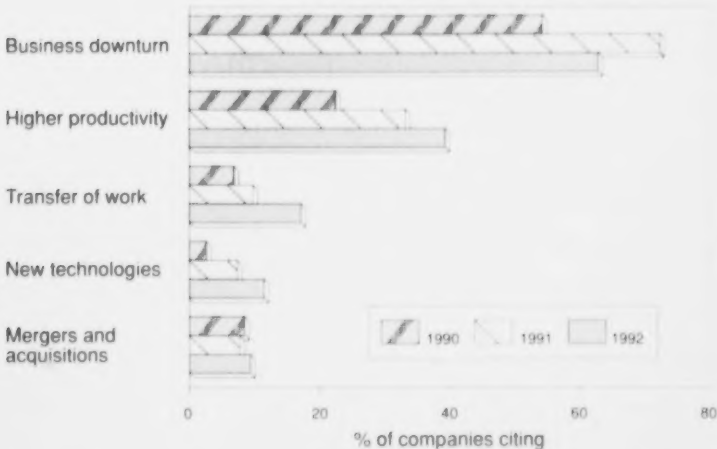
Source: *Fortune* magazine, annual issues of "Fortune 500."

decisions to downsize during 1990-92. However, improved productivity and work-site consolidation also increasingly played a role in these decisions (see Figure 1-2).

Earlier studies of workforce resizings confirm much the same findings. In a 1985 Conference Board survey of 512 large companies, the 210 that had closed a facility cited changing markets as the leading cause of the closings.³ The market changes listed included increased domestic and international competition as well as production or process obsolescence. In another survey in the mid 1980s, the General Accounting Office (GAO) studied firms with 50 or more employees.⁴ Of the companies that had closed operations or completed permanent layoffs, 60 percent blamed reduced product demand; 56 percent, increased competition; and 45 percent, high labor costs.

The importance of corporate ownership is more and more evident in trend figures on institutional shareholding. Pension

FIGURE 1-2
Rationale for Company Downsizing, 1990-92



Source: American Management Association, "1992 AMA Survey: Downsizing and Assistance to Displaced Workers" (New York: AMA, 1992).

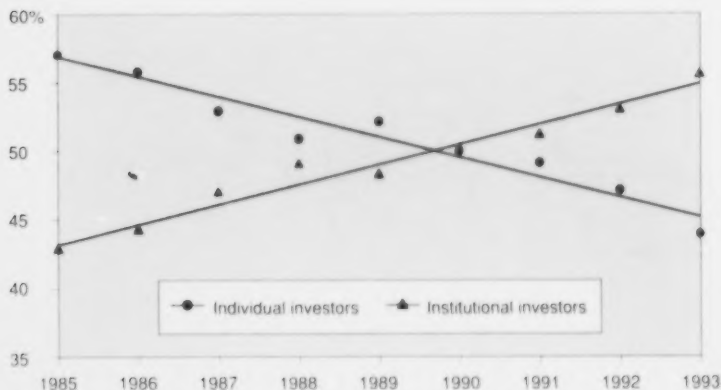
funds, bank trusts, insurance companies, and investment managers are acquiring steadily increasing fractions of company stock (see Figure 1-3). Because the largest institutions no longer can readily dispose of undesirable stocks, they are increasingly pressing troubled companies for improved performance. Downsizing and restructuring are among management's tools for accomplishing this goal.

One study of share price reactions to layoff announcements in the period from 1979 to 1987 reveals the thrust of the investors' message.⁵ In the days immediately following layoffs announced as part of general restructurings, stock prices rose an average of 4 percent. Downsizing announced simply as a cost-cutting measure, however, depressed stock prices an average of 6 percent. Wall Street appears to like restructuring *and* job shedding, but disdains cutbacks that lack broader plans for improved results.

Company restructuring can thus be expected to continue if not intensify. The challenge from abroad is likely to redouble with the

FIGURE 1-3

Percentage of Shares of 1,000 Large Companies Held by Individual and Institutional Investors, 1985-93



Source: *Business Week*, annual issues of "Business Week 1000."

further globalization of business. The challenge from the quality movement is likely to intensify given its central premise of continuous improvement. And the challenge from shareholders is likely to strengthen as investors master the art of pressure politics.

Steps Toward Improving Competitiveness and Performance

Companies have explored many paths in response to these developments. Among the more widespread organizational reforms are decentralization of decisionmaking, formation of strategic business units, and creation of empowered work teams. Compensation, promotion, and security have become more contingent on individual and unit performance. Firms have also tightened their operations, stressing lean systems and cost reductions. An intensive study suggests that many companies have taken seven specific steps (see the box on p. 39).⁶

Although the steps outlined in the box and other restructuring measures may have once been viewed as passing phenomena—a

CORPORATE METHODS OF ORGANIZATIONAL REFORM

- (1) **Devolve authority.** Authority to succeed and fail is pushed lower in the organization, giving employees and units greater operating autonomy.
- (2) **Integrate work units.** Company building-blocks are relatively small, integrated work units in which employees jointly incorporate responsibilities.
- (3) **Contract headquarters⁴ and workforces.** Central offices are scaled back, and employment totals are reduced.
- (4) **Discipline decisions.** Decisions and actions are more explicitly judged on the basis of the anticipated worth to stockholders.
- (5) **Disperse information.** Information is more widely distributed among employees and more focused on ownership issues.
- (6) **Manage succession.** Managers invest more time in developing their successors and less time in managing their actions.
- (7) **"Incentivize" performance.** Employee promotion, compensation, and dismissal are more contingent on performance measures better linked to shareholder value.

kind of overdue corporate correction—current developments suggest they have no early end in sight. Employment opportunities, career structures, and retirement benefits for workers both young and old are sure to be further reshaped as the long march for improved corporate competitiveness continues.

While employee experience is being reshaped by these ongoing changes in organizational form, organizational form is simultaneously being reshaped by ongoing changes in age demography. Organizational design and population structure should be viewed as dynamically related, each constraining and opening opportunities for the other.

The remainder of this chapter is organized around three questions concerning this dynamic relationship:

- How are older workers distinctly affected by the current wave of company restructuring? Large-scale company redesign affects employees of all ranks, and although not age-driven, the outcome may have special impact on the aged.

- How will older workers be affected in the future by the current restructuring? As new organizational and work systems are instituted, they create conditions for older employees distinct from those confronting senior workers in the past.
- How are company policies likely to be affected in the future by the changing number and experience of older workers? The changing age demography of a company's workforce points toward new human resource practices.

THE IMPACT OF RESTRUCTURING ON OLDER WORKERS

Large-scale company change brings two-edged consequences for employees. Campaigns for cost reductions often result in frozen salaries, greater workloads, diminished benefits, job terminations, career endings, reduced morale, and heightened distress.⁷ To the extent that the belt tightening is concentrated in certain facilities and regions, company suppliers and local communities are also hard hit. At the same time, however, those who remain with or join the reorganized firm often find more challenging work and greater autonomy.⁸ Available evidence suggests that older employees feel both the costs and the benefits of restructuring more intensely than their younger colleagues.

Costs and Benefits for Aging Workers

Older workers are more concentrated among the companies and industries that have undergone certain forms of restructuring. The trend is seen in the 1991 Louis Harris & Associates Laborforce 2000 survey of 406 large companies.⁹ In examining the age distribution of employees at 210 companies reporting such data, one analysis found that, on average, about 20 percent of a typical company's workforce was aged 50 and older.¹⁰ This analysis also showed that a firm with at least 30 percent of its employees in this age range was (1) one-third more likely to be in manufacturing, (2) one-half more likely to employ at least 10,000, and (3) two times as likely to have collective bargaining. Because large, unionized manufacturing companies have been among the most extensively restructured during the past decade, older workers have often been in the middle of the organizational turbulence.

As noted, the Louis Harris survey revealed that companies with certain restructuring and downsizing actions have greater

concentrations of older employees. Firms that had sold business units, laid off substantial numbers, offered early retirement, reduced management staff, or imposed hiring freezes had higher proportions of workers aged 50 and older. Of the companies that had dismissed a substantial number of employees, for instance, at least 3 out of 10 workers employed by 28 percent of the companies were 50 and older, whereas only 13 percent of the companies with lower dismissal rates had such a high concentration of older workers (see Table 1-2). However, companies shutting down operations, merging operating units, or shifting substantial numbers of full-time workers to part-time employment were less likely to have more employees who were older.

Companies do not undertake major reductions in force primarily to pare their rosters of older employees. Yet researchers note that some forms of downsizing are used more frequently by companies that employ older workers. Early retirement programs targeting older workers are one of several often used strategies for shedding employees when downsizing is in the offing. In the Louis Harris

TABLE 1-2

Percentage of Employees 50 and Older at Companies That Took Downsizing Actions, 1991

Downsizing Action	Companies That Took Downsizing Action	Companies with 30%+ of Employees 50 and Older Among . . .	
		Cos. That Downsized	Cos. That Did Not Downsize
Sold any business units	51.0%	23.3%	15.4%
Laid off a substantial number of workers	47.3	27.8	13.3
Offered early retirement incentives	40.4	23.9	17.1
Reduced management staff significantly	38.4	28.9	14.2
Imposed hiring freeze	57.1	21.1	17.7
Shut down some operations	64.3	17.5	24.7
Combined operating units	62.3	17.7	24.6
Part-time for substantial no. of workers	10.1	12.5	20.8

Source: Author's reanalysis of Louis Harris & Associates 1991 Laborforce 2000 survey. The column percentages are based on 406, 83 to 137, and 69 to 127 companies, respectively.

Laborforce 2000 survey, two companies out of five had adopted that incentive.

Other survey evidence also indicates that the use of early retirement schemes as a downsizing strategy is on the rise. The AMA conducts annual surveys of about 800 companies on past and planned downsizing actions. Although hiring freezes and salary reductions remain favored strategies for avoiding layoffs during cost-reduction periods, in the early 1990s retirement incentives spread more rapidly than any other single approach, as shown in Figure 1-4.¹¹

While increasing numbers of companies are turning to voluntary retirement schemes, it should be noted that downsizing actions have long had the effect of involuntary retirement for many older workers. A national survey in the early 1990s of employees aged 50 to 61, the Health and Retirement Study of the University of Michigan, revealed that one out of four anticipated a 50-50 chance of being laid off during the coming year and that only one out of two expected to

FIGURE 1-4
Company Actions to Avoid Layoffs, 1990-92



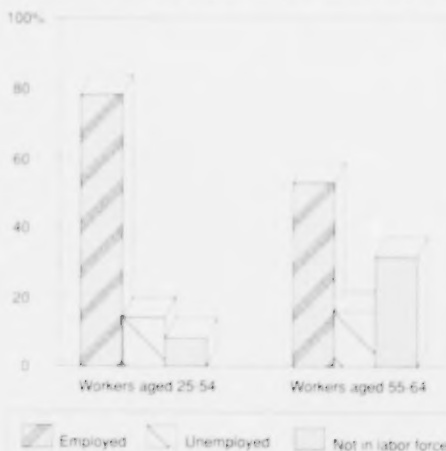
Source: Same as Figure 1-2.

find a new job within a few months.¹² The U.S. Bureau of Labor Statistics conducted studies of employees displaced by plant closings and company downsizings during the 1980s.¹³ The agency found that approximately one-third of the workers aged 55 to 65 had withdrawn from the labor force at the end of the survey. Two-thirds to three-fourths of younger dislocated workers had typically found reemployment by that time, but only one-half of the older workers had done so. In 1990, for example, only 22 percent of the dislocated younger workers (aged 25 to 54) were unemployed or not in the labor force when surveyed, compared with 47 percent of the older displaced workers (see Figure 1-5).¹⁴ Older workers with less education were particularly hard hit.

Although older workers are somewhat more likely to be employed by firms that undergo certain forms of downsizing, they are also located more often in companies that undertake at least one kind of organizational change that employees usually view favorably.

FIGURE 1-5

Employment Status of Displaced Workers, by Age, 1990



Source: Data from the U.S. Bureau of Labor Statistics, as reported in the U.S. Senate Special Committee on Aging et al., *Aging America: Trends and Projections* (Washington, D.C.: U.S. Department of Health and Human Services, 1991).

The Louis Harris Laborforce 2000 survey asked companies whether they had invested substantial time and money during the 1980s in creating significant changes in work processes, job involvement, or quality management. In a reanalysis of the data, older workers were found no more (and no less) often among companies that had redesigned work or promoted work involvement, but they were found more frequently in companies with established TQM programs. At least 3 out of 10 workers were aged 50 and older in 28 percent of the firms with TQM, whereas only 16 percent of companies without TQM had as many older workers (see Table 1-3).

Costs and Benefits for Other Workers

The organizational restructuring of large firms brings distinct costs and benefits to other workforce groups as well. As in the case of aging workers, the impact is uneven; both the adverse and advantageous consequences are shared in different measure by various populations. Again using the Louis Harris survey, the analysis is streamlined by combining the eight downsizing actions reported in Table 1-2 and the three redesign actions shown in Table 1-3. The demographics of companies that took six or more downsizing actions are then compared with those that took five or fewer; and

TABLE 1-3
Percentage of Employees 50 and Older at Companies That Introduced
Three Work Changes, 1991

Work Changes	Companies That Made Work Changes	Companies with 30%+ of Employees 50 and Older Among . . .	
		Cos. That Made Work Changes	Cos. That Did Not Make Work Changes
Redesigned work methods and processes	44.1%	19.6%	20.3%
Promoted employee involvement among the workforce	38.7	21.8	18.9
Established and operated a total quality management program	37.4	28.0	15.6

Source: Author's reanalysis of the Louis Harris Laborforce 2000 survey. The column percentages are based on 406, 118 to 134, and 75 to 92 companies, respectively.

TABLE 1-4**Percentage of Employee Groups, by Company Downsizing and Work Redesign, 1991**

Group	Downsizing		Work Redesign	
	Little	Much	Little	Much
Women	47%	43%	47%	42%
Blacks	11	12	12	10
College educated	48	37	47	38
White collar	54	46	54	45
Unionized	45	62	48	61

Source: Author's reanalysis of the Louis Harris Laborforce 2000 survey. The number of companies on which the percentages are based ranged from 213 to 406.

companies that introduced two or three measures in work redesign are compared with those that initiated one or none. Table 1-4 shows that women and blacks are slightly less likely to be employed by companies that have innovative work programs. The survey shows that smaller concentrations of college-educated and white collar workers are in companies that either downsized or redesigned their work systems and that larger concentrations of union employees are in both.

Corporate restructuring thus brings costs and benefits in different measure to several groups in the workforce. Older, uneducated, blue collar, and unionized employees bear more of the downsizing brunt; they are disproportionately located in companies that have cut their workforces through a number of actions. At the same time, these groups enjoy more of the redesign benefits; they are overrepresented in firms that increase employee involvement, introduce TQM programs, and develop the new work processes.

THE IMPACT OF CURRENT RESTRUCTURING ON OLDER WORKERS IN THE FUTURE

As corporate restructuring creates a new organizational mold, it may reshape conditions for the next generation of older workers. Although the impact of current restructuring on employees will be

felt in the future, the effects of innovations like emerging high performance work systems can be anticipated now.

The Adoption of High Performance Work Systems Today . . .

These systems are usually defined as a cluster of organizational innovations such as work teams, quality circles, flexible work, and enhanced outputs. Organizational planning, budgeting, and controls focus more intensively on quality assurance and improvement. Employment compensation and employee development emphasize performance and help to maximize workforce capabilities.¹⁵

National surveys of companies reveal limited but growing adoption of these elements. A 1990 study of the Fortune 500, for instance, found that about one-half of the companies surveyed had introduced quality circles and self-managed work teams.¹⁶ The introduction of these innovations, however, rarely reached a majority of a company's workforce, with typical coverage being fewer than one worker in five.

Similar results came from a 1992 survey by Paul Osterman of 875 work establishments. About one-half of the plants and offices surveyed had adopted self-directed work teams, job rotation, employee problem-solving groups, or TQM. In about one-third of the organizations, each innovation had reached at least one-half of the workforce. The joint introduction of all the elements was much less common, with only 1 establishment out of 20 claiming to have applied all four measures to one-half or more of its workforce. One-third of the organizations, however, had introduced at least two of the practices to one-half or more of their employees. The evidence also suggests that use of such organizational innovations is on the upswing. Of the establishments using them, one-third had introduced job rotation within the past five years; one-half, work teams; and two-thirds, quality circles and TQM programs. Other studies have also found that these measures have been catching on in larger companies.¹⁷

. . . Has Implications for the Next Generation of Employees and for Employers

On the assumption that components of high performance work systems will continue to spread among American companies, several implications follow for the future of today's younger employees. Work conditions in these employees' later years are likely to be more

flexible and more challenging. Fewer workers should be in plateaued, mind-numbing, or narrowly defined jobs. More should have the opportunity to experience task diversity and personal renewal in their work.

The technical and motivational capacities to be flexible during the later years of an individual's work life depend in part on earlier work experiences and training.¹⁸ A career strategy for employees anticipating a more flexible work environment should include a willingness to accept diverse assignments and to enter retraining programs throughout their early and mid-career years.

A parallel implication follows for employers. Older employees are often labeled as being less flexible in accepting new job assignments. Executives of one-half of the companies in the Louis Harris Laborforce 2000 survey asserted that older workers were worse in this area. This perception is in part a product of past organizational practices. For instance, studies show that managerial promotion rates in large companies decline sharply with age and that older employees on average have fewer different scopes of responsibility over a given period.¹⁹

The inflexibility of older employees is thus partly a consequence of traditional company careers—that blend of experiences that companies structure over a worker's life with the firm. If work flexibility, job rotation, and related features are more likely to compose the workplace of the future, organizations will need to rethink career structures. More frequent job reassignments and more widespread use of team experiences among younger employees will better prepare them for the kinds of organizational tasks the company will want them to perform during the later decades of their work lives.

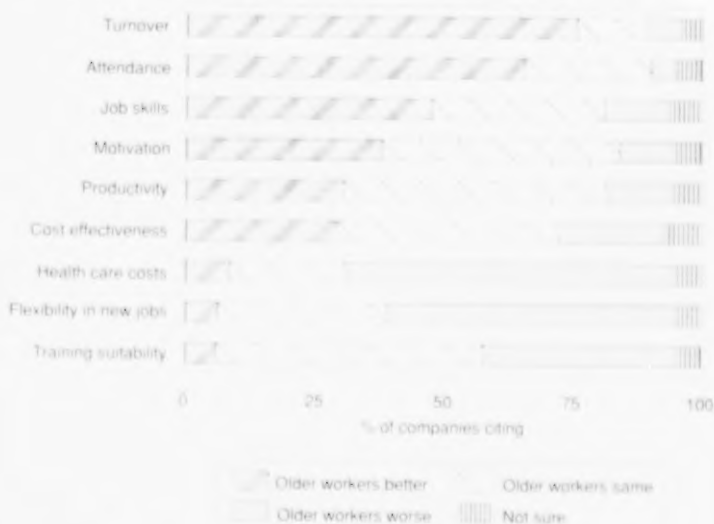
THE IMPACT OF RESTRUCTURING AND WORKFORCE AGING ON COMPANY POLICIES

The aging workforce is a major concern of human resource managers. The increasing costs of health benefits top most of their lists, and racial diversity is a leading concern as well. Although only 12 percent of the executives in the Louis Harris survey believed that an aging labor force would have a significant impact on their ability to compete during the next five years, 41 percent said that an aging workforce could have some impact. More than two companies out of five had specific plans for addressing the aging problem, and the great majority (89 percent) of those companies were optimistic about the plans.

Managing Age Diversity

Older workers bring to the workplace a blend of assets and deficits that is sufficiently complex to discourage claims that either the loss or the retention of older workers would be an unambiguous gain for companies. The Louis Harris Laborforce 2000 survey asked human resource executives to compare the qualities of their older and younger employees. A slight majority (57 percent) rated workers aged 55 and older as being more reliable and bringing better work attitudes to the job. In three specific areas—job skills, attendance, and turnover—older workers were rated above average (see Figure 1-6). In two other areas—health care costs and flexibility in accepting new job assignments—they were rated below average. In motivation, productivity, cost effectiveness, and training advantages, they were not viewed as decisively an advantage or a disadvantage.

FIGURE 1-6
Traits of Older Employees Compared with Average Employees, 1991



Source: Author's reanalysis of the Louis Harris Laborforce 2000 survey.

As companies develop new approaches to old organizational problems, the special concerns of older workers will require more attention. Like women and racial and ethnic minorities, older workers bring both distinct strengths and legal protections to the table. Companies have the capacity to take advantage of the different perspectives and experiences of older workers. Employers also have an obligation not to take advantage of the market weakness engendered by the presence of growing numbers of older workers in the labor market. Further, companies have the capacity to make the most of the time and talents of everyone on the payroll regardless of gender, race, or age—potentially their “ultimate” competitive advantage.²⁰

A late 1980s study of older workers hired as reservation agents by a hotel chain reveals how effective management of age diversity can accrue to a company's advantage.²¹ Researchers found that employees 50 and older at first required lengthier training than younger employees (three versus two weeks). Older workers also drew higher wages, spent more time in telephone contact with potential customers, and obtained larger pension contributions from the company than younger workers. Although this might seem a sure formula for “unhiring” the older workers, the company soon learned that it could equalize time and costs by customizing training to fit older workers' needs. It also discovered that older workers quit less often, making the effective training cost for employees who stayed with the company about 9 percent less for older workers than for younger ones. Further, although the older employees allocated more telephone time to each customer, they had higher booking rates.

If the immediate costs of hiring and training new workers are driving considerations, then younger workers are a clear managerial choice. But if a more comprehensive view can be taken by management, factoring in not only low turnover but also the other features of older workers' performance that are advantageous over time, the relative merits of age diversity become more apparent. The 1980s analysis revealed that the net costs of operating the reservation center with older or younger workers were about the same.²²

Learning from and managing age diversity can thus be as important to company performance as effective oversight of gender and racial diversity. To single out just one example in which age diversity is still undermanaged, several research studies have reported that some older workers express considerable interest in securing positions with fewer hours, less responsibility, and lower pay. A survey conducted in the early 1990s of workers between ages 51 and 61 found

that 73 percent would have liked to continue working, part time, after retiring from full-time positions. But the Louis Harris Labor-force 2000 survey revealed that only one company out of three provided employees older than 55 with opportunities to move to jobs with such features. One out of four offered alternative managerial paths, and just one out of five permitted phased retirement.²³

The continuing search for heightened performance that underlies much of the current wave of corporate restructuring is likely to intensify the need for effective management of age diversity. That need should further intensify with the expected relative growth of the older labor force. From 1975 to 1990, the workforce overall expanded by 33 percent, but the number of workers 55 and older grew by less than 8 percent. From 1990 to 2005, however, while the total workforce is forecast to grow by 21 percent, the number of older employees is projected to increase by 44 percent, a rate exceeding that of either blacks or women (see Table 1-5).

The Culture of Top Management

As in many areas of corporate behavior, the rate of change is uneven, with some companies far in the lead and others lagging far behind. Further, as is also common in other areas, innovations in human resource practices are often critically driven by the culture and commitment of top management. According to Osterman's 1992 survey of establishments, for example, managerial values are pow-

TABLE 1-5
Growth of the U.S. Workforce
(Actual and Estimated), 1975-2005

Group	% Change	
	1975-90	1990-2005
Women	50.9	26.2
Blacks	45.7	31.7
Age 55+	7.6	43.7
Total	33.1	20.8

Source: U.S. Bureau of Labor Statistics, *Outlook 1990-2005* (Washington, D.C. 1992)

erful predictors of companies that will adopt work teams, quality circles, job rotation, and TQM. The survey found that organizations led by managers who believe they carry a responsibility for employee welfare are significantly more likely to institute each of these workplace practices. Similarly, in an analysis of company investment in education, training, and collaboration with local school systems (from data in the Louis Harris Laborforce 2000 survey), management commitment to innovation and change was an independent predictor of which firms will invest in education and training.²⁴

Previous research has found that newly hired older workers tend to concentrate in a smaller set of occupations and industries than either newly hired younger workers or already employed older workers.²⁵ However, companies may be moving beyond whatever managerial bias had earlier contributed to age segregation. The Louis Harris survey asked human resource executives to describe the attitudes of mid-level supervisors, co-workers, and top managers toward hiring people older than 55. Nearly 75 percent or more in each group were perceived as supportive of this practice, with the strongest backing, 80 percent, coming from top management. Moreover, when asked if management's attitude toward older workers had improved or worsened during the past five years, 1 out of 4 companies reported that management's attitude was better, while only 1 out of 12 reported that it was worse.

The Culture of Large Companies

The general cultural tenor of large firms appears relatively evenhanded concerning age. However, older employees tend to be disproportionately located in companies that are least likely to change their human resource practices. This is evident in reanalysis of a question in the Louis Harris survey that asked human resource executives to classify their companies in one of four categories, based on the responsiveness of human resource policies to the changing labor market. The four groupings ranged from most innovative to least innovative. As shown in Table 1-6, the less the company's propensity to change, the greater the number of older workers in the company. In other words, older workers are more likely to be in companies that are least likely to seek fresh approaches to workforce management.

One implication of this age skew, as discussed above, is that companies may be driving some older workers into early retirement—workers whom employers should want to retain. For exam-

ple, traditional supervisory practices in an era of increasing work empowerment sometimes encourage a premature exit. This is evident in a longitudinal study of AT&T managers without college backgrounds who joined the company in the 1950s.²⁶ The separation of the regional telephone companies from AT&T in 1984 brought extensive reorganization, including substantial downsizing, to all the telephone companies. The study compared managers who remained in the companies after divestiture with managers who accepted early retirement. The average age of the retirees was 55, and their assessed leadership and self-confidence did not differ from those of active managers. Ratings were also the same in a number of other managerial characteristics and in overall job performance (as assessed shortly before the 1984 breakup).

But the early retirees did differ in their discontent with the management structure of their companies. Compared with the managers who stayed, the early retirees were more likely to view the boss as unfair, unappreciative, and uninterested in them; they were less likely to express confidence in senior management; and they were more likely to express dissatisfaction with communication and information flows within the company.

TABLE 1-6

Percentage of Employees 50 and Older at Companies, by Management Responsiveness to Human Resource Changes, 1991

Management Responsiveness	Companies in This Category	Companies with 30%+ of Employees 50 and Older
Cutting edge Usually trying to lead in this area	10.8%	3.6%
Advanced Adopting policies to stay ahead of other companies	38.7	22.2
Thoughtful Adopting policies when a consensus is developed in the industry	37.2	19.2
Prudent Adopting policies only after they are proved effective in other companies	10.6	42.1

Source: Author's reanalysis of the Louis Harris Laborforce 2000 survey. The first column percentages are based on 406 companies. The percentages in the second column are based on 28, 51, 78, and 19 companies, respectively.

The reassuring policy implication from this study is that early retirement incentive schemes do not necessarily lead to a hemorrhage of talent. The cautionary policy implication is that traditional management systems built around arm's-length relations and limited communication can encourage the exit of well-qualified employees.

Inadequate investment in the training of older workers can also contribute to this trend. Results of a 1985 survey of employees showed that older workers were less likely to receive on-the-job training or off-site employer-sponsored training.²⁷ The Louis Harris Laborforce 2000 survey of companies confirmed the findings, with 3 out of 10 companies reporting substantial investments in the training of workers aged 50 and younger, but fewer than 2 out of 10 investing in employees 50 and older.

The research thus suggests that companies face important choices in responding to the pressures for improved performance and that their exercise of these choices will have a major impact on the prospects of older workers. If restructuring is pursued in ways that take advantage of the recognized experience of older workers, many may be spared the harshness of outplacement or forced retirement. If not, their talents may be lost not only to the companies that have cultivated those talents, but also to an economy increasingly in need of more seasoned work skills.

CONCLUSIONS

A decade of takeovers and downsizing in America has been epitomized by well-publicized events such as the leveraged buyout of RJR Nabisco and Safeway stores by Kohlberg Kravis Roberts. Yet these were only the tip of a great iceberg. The underwater portion turned out to be far more extensive than had ever been anticipated when restructuring first accelerated during the mid 1980s. Further, organizational restructuring appears to be still growing.

Like other groups of employees, some older workers have lost all—or are on the verge of losing all. Company reorganization often puts at risk job security, pension income, and health insurance for older workers. In some ways, older employees are among the demographic groups most threatened by corporate restructuring. Cost controls and flexible production fall hard on employees with high compensation and narrow career experiences.

At the same time, for older workers who have survived bouts of workforce resizings, the reorganized office or plant has often become a more challenging and more creative place. Teamwork and

job enrichment have yet to spread widely in industry, but their inroads are extensive and their momentum impressive. Older workers may especially benefit from the total quality movement because companies with more older workers are more frequently adopting TQM elements.

The changing face of corporate organization brings a changing set of career concerns for workers and of policy concerns for companies. If employee flexibility and adaptability are increasingly demanded under high performance and would-be high performance work systems, then diversity of experience in an employee's early years is a *sine qua non* for the later years as well. If requirements increasingly extend also to equitable treatment and management by companies of all demographic groups, then capitalizing on the known strengths of older workers may more than offset their known shortcomings. The evolving positions of older workers in the evolving sections of established firms are therefore a matter for both employees and companies to recognize and catalyze.

While older workers have sometimes been the victims and sometimes the beneficiaries of the corporate restructuring decade, they have, ironically, also been an indirect source of the change. If corporate raiders and buyout artists fostered some of the momentous changes in organizations during the mid 1980s, institutional investors have become major drivers in recent years. Public pension funds lead the assaults by institutions on underperforming managements. These funds have sharply increased their presence in the portfolios of most large companies in recent years. Their aggregate holdings rose from 17 percent of the nation's stock equity in 1980 to 29 percent in 1991.²⁸ Seeing big public pension funds in the lead, institutional holders are pressing hard for improved corporate performance, and this pressure has often translated into company restructuring. In seeking to optimize their beneficiaries' future income, pension funds have become a major force for change in their beneficiaries' workplaces.

NOTES

1. The employment trend data are reported in the annual *Fortune* issues containing the "500" listings. Other trend data are drawn from G.F. Davis and S.K. Stout, "Organization Theory and the Market for Corporate Control: A Dynamic Analysis of the Characteristics of Large Takeover Targets, 1980-90," *Administrative Science Quarterly* 37 (1992):605-33; and G.F. Davis, K.A. Dickman, and C.H. Tinsley,

"The Decline and Fall of the Conglomerate Firm in the 1980s: A Study in the De-Institutionalization of an Organizational Form" (Evanston, Ill.: Kellogg Graduate School of Management, Northwestern University, 1993), unpublished manuscript.

2. American Management Association (AMA), "1992 AMA Survey: Downsizing and Assistance to Displaced Workers" (New York: AMA, 1992).

3. R.E. Berenbeim, *Company Programs to Ease the Impact of Shutdowns* (New York: Conference Board, 1986).

4. General Accounting Office, *Plant Closing: Limited Advance Notice and Assistance Provided Dislocated Workers* (Washington, D.C.: General Accounting Office, 1986).

5. D.L. Worrell, W.N. Davidson III, and V.M. Sharma, "Layoff Announcements and Stockholder Wealth," *Academy of Management Journal* 34 (1991):662-78.

6. P.B. Doeringer et al., *Turbulence in the American Workplace* (New York: Oxford University Press, 1991). Organizational developments associated with substantial company change are developed in M. Useem, *Executive Defense: Shareholder Power and Corporate Reorganization* (Cambridge: Harvard University Press, 1993). See also D.A. Nadler et al., *Organizational Architecture: Designs for Changing Organizations* (San Francisco: Jossey-Bass, 1992).

7. The social consequences of corporate restructuring for employees are developed in an earlier project sponsored by the National Planning Association and reported in Doeringer et al., *Turbulence in the American Workplace*. Restructuring consequences for employees are also developed in V. Smith, *Managing in the Corporate Interest: Control and Resistance in an American Bank* (Berkeley: University of California Press, 1980); K.S. Newman, *Falling from Grace: The Experience of Downward Mobility in the American Middle Class* (New York: Random House, 1989); A.F. Buono and J.L. Bowditch, *The Human Side of Mergers and Acquisitions: Managing Collisions Between People, Cultures, and Organizations* (San Francisco: Jossey-Bass, 1989); N.K. Napier, "Mergers and Acquisitions, Human Resource Issues and Outcomes: A Review and Suggested Typology," *Journal of Management Studies* 26 (1989):271-89; and S.C. Faludi, "The Reckoning: Safeway LBO Yields Vast Profits but Exacts a Heavy Human Toll," *The Wall Street Journal*, May 16, 1990, Sec. FF, p. 1. The adverse effects of unemployment and other consequences of restructuring on individuals are assessed in J. Mirowsky and C.E. Ross, *Social Causes of Psychological Distress* (Hawthorne, N.Y.: Aldine de Gruyter, 1989).

8. The upside consequences of corporate change for employees are chronicled in F.E. Lawler III, *The Ultimate Advantage: Creating the High-Involvement Organization* (San Francisco: Jossey-Bass, 1992); J.R. Katzenbach and D.K. Smith, *The Wisdom of Teams: Creating the High-Performance Organization* (Boston: Harvard Business School Press, 1993); and I. Bailey and D. Merritt, "Discretionary Effort and the Organization of Work: Employee Participation and Work Reform Since Hawthorne" (New York: Teachers College, Columbia University, 1992), unpublished manuscript.

9. The survey was supported by the Commonwealth Fund and conducted by Louis Harris & Associates in 1991 on a representative sample of members of the Conference Board, an association of larger companies. The Laborforce 2000 survey and its findings are reported in *Building the Competitive Workforce: Investing in Human Capital for Corporate Success*, ed. P.H. Mirvis (New York: John Wiley & Sons, Inc., 1993); and in A.S. Johnson and F. Linden, *Availability of a Quality Workforce* (New York: Conference Board, 1992).

10. M.C. Barth, W. McNaught, and P. Rizzi, "Corporations and the Aging Workforce," in *Building the Competitive Workforce*.

11. AMA, "1992 AMA Survey."

12. Preliminary results from the national survey are reported in "Survey Sketches New Portrait of Aging America" (Washington, D.C.: National Institute on Aging, 1993).

13. Displaced workers are defined as at least 20 years old with at least three years of job tenure who have lost their positions during the previous five years because of a plant closing or move, slack work, or the termination of a position. The 1980s displaced worker studies are summarized in Doeringer et al., *Turbulence in the American Workplace*, pp. 87-88.

14. U.S. Senate Special Committee on Aging et al., *Aging America: Trends and Projections* (Washington, D.C.: U.S. Department of Health and Human Services, 1991). See also M. Howland and G.E. Peterson, "Labor Market Conditions and the Reemployment of Displaced Workers," *Industrial and Labor Relations Review* 42 (1988):109-22.

15. An example of high performance work systems can be found in the analysis of flexible manufacturing in the Japanese automobile industry by J.P. Womack, D.T. Jones, and D. Roos, *The Machine that Changed the World: The Story of Lean Production* (New York: Harper Collins, 1990). A review of the recent literature has been prepared by E. Appelbaum and R. Batt in *Transforming the Production System in U.S. Firms*, Economic Policy Institute Report to the Sloan Foundation, Washington, D.C., 1993.

16. E. Lawler, S. Mohrman, and G. Ledford, *Employee Involvement and Total Quality Management: Practices and Results in Fortune 500 Companies* (San Francisco: Jossey-Bass, 1993).

17. P. Osterman, "How Common Is Workplace Transformation and How Can We Explain Who Adopts It" (Cambridge: Sloan School of Management, Massachusetts Institute of Technology, 1993). The other studies of recent trends are reviewed by Appelbaum and Batt in *Transforming the Production System*, pp. 59-74.

18. Supporting evidence can be found in D.A. Waldman and B.J. Avolio, "A Meta-Analysis of Age Differences in Job Performance," *Journal of Applied Psychology* 71 (1986):33-38.

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The New Workplace and Older Workers

by Douglas T. Hall and Philip H. Mirvis

"The combination of market forces and demographic trends means that the business sector and society as a whole will have no choice in the future but to employ and develop older workers more. Society simply cannot afford to support a growing number of retired people with a shrinking base of employed people."

American business has not treated its older workers kindly during the past decade and a half. Corporate restructuring and downsizing, the outsourcing of jobs to foreign countries, heightened job demands, longer hours, and reductions in health and pension benefits have taken a toll on working people of all ages but especially on older workers, those aged 55 and older.

During the 1980s, 3.4 million jobs were eliminated from Fortune 500 companies, and many more positions were erased in mid-sized and small firms. Our recent study of more than 400 employers found that over 80 percent downsized from 1986 to 1991, reducing their workforces an average of 12.4 percent.¹ Proportionately more older workers in the sample were let go for two reasons. First, firms that made the greatest reductions—those in mature and declining industries—employed a far greater proportion of workers 55 and older than did other firms. Second, the downsizing measures favored by these firms were:

- to close plants and make across-the-board layoffs, discounting seniority;
- to eliminate layers of management, a measure that affected more older workers; and
- to offer employees early retirement incentives, which encouraged older workers to leave before they could be laid off.

ISSUES AT THE NCOA-NPA SYMPOSIUM:

Participants' Concerns . . . Authors' Responses

Bert Seidman (Consultant, National Council of Senior Citizens) expressed concern that discussion of the contingent and contract workforce overlooked the important aspect of job security. Seidman felt that Hall and Mirvis were equating two concepts that have very different impacts on people's lives. One, the concept that careers can be changed numerous times over a lifetime is extremely difficult for people to implement. However, if institutions were in place to facilitate such changes, and with the right kinds of resources, workers could conceivably make these career moves. The other concept is that of a permanent contingent workforce in which people are doomed to be in and out of the workforce over their entire careers. This concept should be actively avoided because it would create a two-tiered workforce where those permanently at the bottom would never have security for themselves or their families. Hall responded that corporate America must change its notion of using different kinds of training and development activities for workers in different age groups. Career planning and self-assessment workshops

can help older as well as younger workers learn how to be adaptable. It is also important to realize, he emphasized, that people can direct their own careers and can choose a stable career within one organization.

Daniel Thursz (President, National Council on the Aging, Inc.) also expressed concern for the "view from the bottom." He said that for many older workers, psychological security hinges on financial security; therefore, how could they be expected to take risks and start new careers? Mirvis replied that no clear picture yet exists of what "firms" will be in the year 2005. They might comprise a network of companies, each currently offering different services, that will form partnerships with federal, state, and local governments to provide a set of services. In that case, no firm could provide job security, and all workers would be affected. In addition, a new set of guilds could emerge—for example, a contingent workers' guild or an over age 55 guild—that would provide services such as educational opportunities, insurance, and training for members.

To make matters worse, considerable anecdotal evidence, backed by rulings in several age-discrimination cases, indicates that some businesses targeted older workers in their downsizings.² Deemed unfit for faster paced jobs, unsuitable for retraining, and too expensive to keep on the payroll, older workers were equated with

"deadwood" in downsizing firms like CIGNA.³ Expressing their vulnerability and outrage about their treatment, employees dubbed the downsizing "RAPE," as in "Retire Aged Personnel Early," and termed redeployment reviews "SCREW," "Survey of Capabilities of Retired Early Workers."

The working conditions of older people who continue to work in corporations have also deteriorated. Job insecurity has increased as promises of cradle-to-grave employment are shattered.⁴ Pressures to perform have mounted as companies try to get more for less from downsized workforces. As one senior worker put it, "We still have cradle-to-grave employment here, but now you get an early grave." Most American companies have cut back on health benefits (sometimes blaming the higher health care premiums of older workers), and many have reduced pensions and retirement health care coverage—or plan to in the future.⁵

The rise of cynicism in the less stable and secure and more fractious and competitive workplace has been amply documented in national surveys of the workforce overall. In the past 10 years, mistrust of employers and of work peers has risen most sharply among heretofore trusting older workers. People 55 and older grew up during or heard, firsthand, stories of the Great Depression and the "Good War," and many entered the workforce with the idea of a lifetime career with one employer. Companies valued experience and maturity. Today, many older workers feel devalued at work and face an uncertain future on the job and in their lives. It is not surprising that cynicism about life and the American future has increased sharply among older working people and that many more feel pessimistic and alienated than they did just 10 years ago.⁶

FUTURE TRENDS: SUPPLY AND DEMAND

By the year 2005, as the baby boom generation matures, people 55 and older are projected to be nearly 30 percent of the working-age U.S. population; by 2020, they could be almost 40 percent. From the 1960s through the mid 1980s, American men sought earlier and earlier retirement. However, a variety of factors—including longer life expectancy and the desire to continue working—suggests that in the future, more older Americans will *want* to stay in the labor force longer. Because of rising health care costs, smaller savings and housing wealth, and in many cases children at home or in college, many older Americans may *have* to stay in the labor force to pay their bills. Those 55 and older who are employed in the year 2020 could thus substantially exceed the projected 30 percent.⁷

The case has been made that demographic trends could be a boon to the continued and rewarding employment of older Americans. For example, as baby boomers start to reach age 55 and beyond, the following generations will provide proportionately fewer new entrants to the workforce. Indeed, projected labor shortages as early as 2000 could enhance the employment prospects of older people desiring to stay in the workforce.⁸

The possibility of skill shortages also augurs well for the employment of older people. Our study found that three employers out of four are having trouble recruiting skilled blue collar workers and technicians. This means that older workers—highly rated, typically, on job skills—would be obvious targets for retraining in their firms or for recruitment by growing employers. Indeed, one out of four employers reports that shortages of skilled people would lead the firm to reassess its plans for hiring or using older workers.⁹

Finally, continued growth in the service sector could translate into new work opportunities for older people. Throughout the United States, growing numbers of former corporate retirees can be found in part-time jobs in hardware stores, fast food outlets, and other service businesses. In fact, firms such as Days Inn and the British housewares chain B&Q, p.l.c., make employing older workers the centerpiece of their staffing strategies. These organizations have learned that older employees are more productive and have lower turnover rates than younger workers.¹⁰

Still, an imbalance exists between supply and demand. Extrapolating from a survey of older Americans, an estimated 5.4 million older people are "willing and able" to work but are unable to find a job.¹¹ Of these, 38 percent are between ages 56 and 64; 41 percent are between 65 and 74; and 21 percent are 75 or older. They match their working contemporaries in education levels, professional and technical skills, and self-reported health and fitness. Unless there is dramatic growth in service businesses (both mid-sized and small) and changes in employment practices in larger corporations, the number of older Americans able to work but unable to find jobs could increase substantially in the next few decades as baby boomers grow older.

THE PRESENT AS PROLOGUE

The prospect of changes in corporate employment practices is unlikely—at least in the near term. Almost three-fourths of the 400 firms in our study expect to downsize further through the 1990s, and

one-half agree that periodic downsizing is essential to remaining competitive in today's marketplace. In addition, many firms plan to open plants and offices in foreign countries and expect an increasing share of their total workforce to be made up of foreign employees. Hence, a combination of downsizing, overseas expansion, and slow growth has forestalled labor shortages for most firms in our study. Few, as yet, have had to call on older workers to be adequately staffed.

Nor have many firms chosen to compensate for skill shortages in their ranks by aggressively retraining and redeploying older workers. On the contrary, they have intensified the training of new entrants and set up apprenticeship programs with public schools. Much has been made of the declining academic preparation of high school graduates and their poor work habits and attitudes. As a result, companies have been forced to start or expand programs in remedial education and basic skills training. Our study found that firms spend more on entry-level training at the expense of retraining existing employees, especially older workers.¹²

Part of the problem concerns the methods that corporations have used to deal with increased global competition and attendant pressures to restructure and resize their organizations. Many of America's largest corporations, with their layers of hierarchy and massive bureaucracy, have been slow to adopt the structures and practices of the more fleet domestic and global competitors.¹³ The lag is painfully evident in approaches to downsizing.

For instance, Hall, using evidence from several studies in the 1970s and 1980s, concludes that policymakers in large firms typically denied or discounted competitive threats and profit problems—attitudes that forced the large firms to cobble their downsizing plans and reduce staff by tactical measures.¹⁴ The resulting layoffs, plant closings, and across-the-board cutbacks saved monies initially, but they did not effectively reposition the large firms in the marketplace. In our recent study, as well, over 50 percent of the firms that downsized followed this reactive approach. Interestingly, these firms were likely to incur higher severance costs than expected as well as to pay for more hours of overtime, use consultants more, and lose many of the "wrong kind of people" through early retirement programs.¹⁵

At the same time, another one-third of the firms that downsized adopted a more proactive approach. Here, downsizing was linked to a broader effort to restructure the organization and redirect its strategy. Firms that downsized with strategic intent typically did so to improve productivity or to pursue new business opportunities. These firms were also likely to redesign workplaces to accommodate

team-based production systems and to reengineer office work to take advantage of computer networks. Finally, and significantly, they retrained nearly twice as many workers as did firms that took a tactical approach to downsizing, and they were also more apt to continue investing in people in general.

The studies present two pictures of how companies handle competitive pressures and undertake downsizing. An encouraging interpretation is that in the 1990s, more firms are adopting a strategic approach to sizing and staffing and are recognizing the value of retraining and redeploying current workers. The nation could be witnessing a shift in corporate practices that could brighten the prospects for continuing employment for more older workers in years to come.

THE ADAPTABLE CORPORATION

Thirty years ago, Warren Bennis and Philip Slater wrote a now classic *Harvard Business Review* article, with, for the missile crisis era, the wildly optimistic title of "Democracy Is Inevitable."¹⁶ The writers applied newly emerging theory and research on relationships between organizations and their environments to argue that tightly structured, autocratic organizational forms are indeed effective in relatively simple, stable environments.

However, when tasks become complex and the environment changes rapidly, a highly centralized structure is too unwieldy and too slow to respond. To adapt quickly and effectively to turbulence, Bennis and Slater reasoned, in *The Temporary Society*, companies must devise "temporary" solutions.¹⁷ These solutions require decentralized organizational structures with policies enabling employees closest to the action to participate in decisions about how to respond to new developments. (Society did not have the word *empowerment* then, but that is what the authors were driving at.)

The logic of Bennis and Slater was pure Darwinian: the fittest are the freest and the fastest. The rate of change in the social and economic world was accelerating dramatically; "the once reliable constants were becoming galloping variables"; and the only surviving institutions would be those organized democratically. On that famous New Year's Eve in 1989, when CNN was carrying live pictures of East and West Germans reveling atop the Berlin Wall, it seemed that democracy was indeed inevitable.

Since then, advances in systems theory have led to far more sophisticated ideas about how organisms (and organizations) natu-

rally adapt to turbulence in their environments.¹⁸ New ideas are circulating about how organizations perceive environments and set strategies. In the old model of the hierarchical bureaucracy, workers worked, managers managed, and a cadre of top officials and staff specialists was assigned responsibility for scanning the environment and devising plans for action, which were then implemented through established operating channels. But theorists make the case that the complexity of today's organizational environment is so great that there is no "objective truth" about the environment. Instead, the environment must be "enacted" or "socially constructed" by organization members through continuous information gathering and "sense making."

As complicated as this may sound, a key principle in total quality programs concerns whether hourly workers are empowered to shut down the line when they observe variations in production processes. Also central to those "moments of truth" in service businesses is whether employees who serve customers best are able to sort through complex customer requirements and devise solutions that serve both the needs of the customer and those of the business.¹⁹

Theories have also been refined about how organizations should scan their environments and respond to them. One requisite is to be more differentiated in structure so that departments and business units can better understand varied environmental conditions and be closer to their customers. Differentiation is further enhanced by employing people with different outlooks and expertise so that companies obtain different pictures of their complex environments with different interpretations of how best to respond to changes. This democratizes strategymaking and is a prime argument in favor of increasing the diversity (by race, gender, nationality, and age) of a firm's workforce. At the same time, mechanisms are needed to integrate and coordinate responses to environmental conditions. Here the value of employment continuity and a cooperative and cohesive corporate culture is most evident.

Building on these principles, K.E. Weick and L.R. Berlinger see a need for organizations to become "self-designing systems" to continuously invent responses to complexity and change. According to the researchers:

The problem that self-designing organizations are designed to solve is how to take collective action in a continually changing environment that is evolving at a more rapid pace than in the past. Contrasting with traditional organizations designed to face benevolent, slow-changing environments with standard

operating procedures, skill specialization, and hierarchies. Self-designing organizations face rapidly changing environments with improvisation, generalists, and networks. Variety in the organization makes it more adaptable to continuous changes in the environment.²⁰

THE FEDERAL MODEL

Charles Handy has used the term "federal organization" to describe a system with self-designing properties of decentralization, local empowerment, and ongoing self-reflection.²¹ In his view, "Federalism implies a variety of individual groups allied together under a common flag with some shared identity."²² The federalist form seeks to blend local and collective interests in the organization so that it can manage several paradoxical demands.

Paradox 1: Organizations need to be both big and small. This is perhaps the most important paradox. Size enables firms to capture resources and to benefit from economies of scale. Yet to be flexible, to find local solutions to local problems, and to engage human energy and commitment, they need their autonomous units to be small.

Paradox 2: Organizations need to provide local freedom and central control. T.J. Peters and R.H. Waterman call resolution of this second paradox the simultaneous loose-tight property of effective firms.²³ Individual units need to be free as well as small to respond quickly to local opportunities. But if left completely on their own, they could engage in competition for customers and resources and would be unable to react collectively to a corporate crisis.

Paradox 3: Organizations need to liberate employees and link them together. As organizations become more decentralized and autonomous locally, management becomes more aware that their ultimate resource is people who have the skills, know-how, freedom, and discretion to handle the demands of work situations. Thus, employees more and more are coming to be viewed as semiautonomous, self-managing professionals whose security is not in corporate career paths but in their core competencies.

The paradox here is that although professionals like to operate as free agents, they nevertheless depend on their organizations for resources, career opportunities, and the other advantages that come from being part of a team. One way that companies resolve the paradox is by promoting both individual empowerment and collective involvement in their efforts at total quality management (TQM).

workplace redesign, and work/family programming. Federalism is an organizational architecture that aims to liberate employees but also to link them together.

In *The Age of Unreason*, Handy emphasizes that "federalism is not a classy word for restructuring."²⁴ He likens the configuration of human resources in the emerging organization to a shamrock with its three components.

The *first leaf* of the shamrock—and the most important for continuity and organizational survival—is the core staff, a group made up of managers, technicians, and professionals. These highly skilled employees have a major commitment to the organization and derive much of their sense of identity from it. They include generalists, who keep an eye on the big picture and ensure that ideas and actions throughout the enterprise are aligned with major organizational strategies. They also include critically skilled experts who stay abreast of developments in their areas of expertise and act as conduits of information between and among the core of the organization and support units.

The *second leaf* is contractors—specialized people and firms, often outside the organization—who serve a variety of functions, chiefly supply, distribution, and sales. The work is not part of the essential core technology and competence of the organization and can usually be done better by someone else in a smaller, autonomous, and more specialized position. Among those serving as contractors to the federalist organization are consultants, service units that provide, for example, accounting or transaction processing functions and, of course, supplier plants, distributors, franchises, and sales representatives. In addition, joint ventures or partnerships between organizations—for example, between a business and a university or between a school system and other "temporary" structures—also fit on this second leaf of the shamrock.

The *third leaf* is the flexible or contingent labor force. These are part-time and temporary workers who staff temporary structures and provide a buffer for the firm's core workforce. Firms employ them during peak demand periods without incurring the costs of long-term commitment. The group comprising these flexible workers is the fastest growing component of the labor force, and it provides companies with a very efficient way to move quickly and flexibly to meet changing needs. Perhaps the earliest manifestation of this contingent workforce was the deployment of a part-time sales force at Sears and other retailing firms in the 1970s, when changing

life and work patterns (e.g., more employed mothers) led to longer weekday and weekend store hours.

A PLACE FOR OLDER WORKERS IN THE NEW ORGANIZATION?

Who today provides the human resources for this flexible third leaf in retailing? Older workers make an important contribution. Moreover, it is not difficult to foresee a time when firms that provide financial services will rely on "telecommuters" to process transactions or conduct analyses. Who can better do this work at home, if electronically enabled, than older workers? Who can better do the job when a manufacturer is pressed to meet back orders than a team, perhaps kept on a retainer, of semiretired blue collar workers?

Some of the small, independent contractors that serve as the second leaf in a federalist organization could be retirees as well as older workers, including managers, who have bought out a unit of a large company and gone into business for themselves. Their knowledge, which is organization-specific, would likely reduce the high coordination costs that hamper so many vendor relationships. Further, keeping the former employer as a major customer would ensure a steady cash flow. Such local buyouts are becoming increasingly common in firms like IBM and Honeywell.

Finally, older workers may have new opportunities in the adaptable organization's core. Surely many companies will continue to need core competencies in design, development, and manufacture; continuity in vendor, distributor, and customer relationships; and something like organizational memory in forecasting and planning. In these areas, the experience of older workers, properly updated, can continue to be valuable. Moreover, mature people are needed especially to serve as mentors for newcomers; to socialize outside contractors (i.e., acquaint contractors with organizational mores); and to embody important traditions of the corporate culture. In fact, the role of older workers in these three areas takes on added importance in the "temporariness" of the new organizational model.

The federalist organization, with its three leaves of staff, provides an antidote to corporate aging. It aims to ensure that an organization is continually infused with a better picture of its environment and better able to respond to opportunities and threats. This means, of course, that restructuring will be an ongoing process in corporations in the future and that working people of all ages will face more job movement in, out, and around the boundaries of a

corporation. One significant consequence is that people may, in effect, age over several employment cycles in their careers and have to periodically acquire new skills or industry knowledge to renew their employability and value. The process of aging over several employment cycles, in turn, includes a promise of dramatic changes in society's definitions of the older worker.

To age over several work cycles will require new kinds of human resource systems in corporations. In addition, workers will need new strategies for career development. Development and testing are under way on new ideas for staffing, training, and deployment. Innovations such as these could augment the adaptability of older workers within the new design. Meanwhile, the templates of the new organizational form are already in place.

STRATEGIC HUMAN RESOURCE PRACTICES

What would happen if management were more strategic in managing people while continually restructuring the organization? First, the prevailing definition of corporate strategy—a comprehensive picture of the environment translated into a master plan of action and implemented from the top down by moving around and redirecting organizational units and people—must be abandoned. This is the old model.

Based on new ideas about systems, strategy is best understood if considered as a corporate outlook and direction that emerges from continuous information processing about environmental conditions, accompanied by coordinated responses from semiautonomous people and units. This sense of corporate strategy, in turn, has some significant implications in terms of restructuring and the role of human resources in the corporation.

What Core Competencies Will Be Needed to Advance Business Strategies?

Research studies have found that many programs of human resource development begin with obvious tactical questions such as: "What's our budget?" "How do we sell this to top management?" "Who are the 'hot' consultants, and how much do they cost?" "Can we guarantee success or at least avoid getting in trouble?"²⁵ John Berry makes the same point about programs for developing executives.²⁶ He found that most programs are not linked to business needs simply because there was no attempt to do so. Programs focus

on new techniques instead of on the needs of operating units and the business. Programs get designed and develop inertia—then strategies change, but the courses do not.

All of this leads to the following rather obvious conclusion: the management team at the top (including the chief executive officer and the head of human resources) needs to work together concerning the vision and direction of the business and its goals when selecting and developing employees. Certainly every hour spent establishing business needs as perceived by top management is worth a hundred hours spent on program design or improvement. However, it is much harder for human resource managers to find that single hour than to direct staff members or outside consultants to work on program content.

The competencies required to manage and staff adaptable firms differ from those needed in traditional companies. Many organizations, for instance, hire people primarily for today's jobs and put a premium on today's skills—an approach that can work if firms use contingent workers or temporarily hire expertise from vendors.

However, to staff the core of the company workforce and to build a multiskilled workforce require that firms select and develop people who have an appetite for continuous learning and the capacity to cope with the ambiguity and challenge of shifting job assignments. But companies usually hire only a few designated "high potential" employees with this outlook. Afterward, they groom those few by assigning them carefully selected jobs. In adaptable corporations, many more workers with the same learning and coping assets will be needed at all levels. Once on the job, they will need the same type of developmental enrichment.

Indeed, the best form of development is creative staffing, providing jobs that challenge workers over their working lives. Considerable research has shown that the best source of development is the job itself.²⁷ Rather than spending time worrying about what kinds of training and retraining programs are needed to keep workers' skills current, firms should focus on providing information and support to help people find jobs that will challenge them. The jobs will then provide intrinsic opportunities for self-training and self-learning.

What Is the Employer's Desired Relationship with Employees?

In the past, an employee was defined as an organization member bound by specific rules and obliged to render specific services in

return for payment. Companies made distinctions between managers and nonmanagers, exempt and nonexempt workers, and part- and full-time staff. A key policy issue in the human resource department was whether the firm was striving for employment security along the lines of IBM, Digital, or AT&T.

The adaptive model, however, abandons traditional definitions of the employee. People in matrix-type organizations already serve as managers on some project teams while they are members of others. Moreover, some companies that strive for an egalitarian culture give each employee a salaried classification, whereas other firms, using the principle of equity, provide managers and exempt employees the equivalent overtime pay.

Looking ahead, it is likely that American firms will have long-term contracts with, for example, consultants or companies that provide key services. In addition, short-term positions may be filled by newly graduated financial analysts or environmentalists—employees who may be expected, in time, to leave for an advanced degree.

Further, a strategic outlook on employment would have companies adopting many and varied definitions of the word employee. Some workers may be treated as partners, with shares in ownership and participation in profit sharing as well as emeritus status upon retirement. Other employees may be treated as more or less casual labor.

Designation of status would hinge, in part, on whether the worker's skills continued to be valuable. Status designations would also hinge on perceptions of the type of relationship that, in each instance, would best serve both the worker's interests and those of the organization. For example, although currently working as customer-service representatives, lathe operators, or computer programmers, some employees may be developing multiple skills essential to the organization, while other highly paid professionals and managers, deemed specialists, may work on a fee-for-service basis.

It is plain that most employers will be unable to guarantee lifetime job security for even core employees, let alone ensure continued business for contractors or opportunities for temporary and part-time workers. Nevertheless, employers can treat valued employees as lifelong contributors. This means investing in core skills and development and, when necessary, assisting workers with moving in and out of the organization. An exemplar is Hewlett-Packard Company, a firm that seeks continued employability for its people.

In fact, a day may come when employers will offer to "trade" employees or even whole groups on a temporary or permanent basis as job opportunities ebb and flow among companies.

Indeed, the adaptable corporation may have many more employment options to consider. For instance, its internal labor market may consist not only of core staff but also of people on the second and third leaves who have knowledge of the corporation and close ties to existing units or work groups. At the same time, it seems evident that career progress defined by continuous upward movement will slacken. More likely, lateral movement—across jobs, units, and even organizational boundaries—will constitute the typical career, and the late career will be more often marked by phased retirement.

How Can Employers Empower Employees to Self-Manage Their Careers?

The old model of career development was built on the expectation that an employee's contributions to an organization would, at best, "plateau" or, after passing a peak, become less productive. This point of view has been one justification for retiring older workers early.

In the adaptable corporation, however, workers would periodically plateau or pass their prime beyond a career age rather than a chronological age, with career age being defined as the employee's development in relation to commonly accepted career stages.

Research on plateauing indicates that workers become mature when they become established—that is, when the demands of the work have been learned and they are fully functioning. In many fields, this is also the point at which the worker hits a plateau, when opportunities leading to more upward mobility come less often or not at all. At this position in the organization, the person is defined socially as an "older worker." In many fields, with significantly shorter cycle times associated with both product and technology, this process of becoming established happens when workers are in their 20s or 30s.²⁸ Just as the product life cycle is shortening, so too is the career cycle of the average employee. Therefore, new ways must be found of maintaining career adaptability not only for the chronologically older group of workers, but also for the much larger group of employees who are at an advanced career age.

One way to promote lifelong adaptability is by trying to keep people moving through a number of the cycles—exploration, establishment, maintenance, and disengagement—rather than by trying

to prolong the maintenance stage. The interest of lifelong adaptability is also served when companies encourage exploration of new areas of work, even while employees are thriving in their present ones. Firms can legitimize the process of planning for disengaging and moving on, even while employees are still performing well in their current positions. Indeed, a time is foreseeable when employees might move in and out of organizations by, for instance, working in core areas for a while, taking jobs in supplier companies or consulting firms, or working as individual contractors on selected projects, and then returning to the fold as senior core contributors.

NEW DEMANDS ON WORKING PEOPLE: THE "PROTEAN" CAREER

What will constitute a career if this more flexible strategic mode of organization takes hold? The primary implication for employees, especially older employees, is that careers will become more "protean."²⁹ The term is taken from the name of the Greek god Proteus, who could change shape at will. According to one definition of the term as applied to workers:

The protean career is a process which the person, not the organization, is managing. It consists of all the person's varied experiences in education, training, work in several organizations, changes in occupational field, etc. The protean career is not what happens to the person in any one organization. . . . [It] is shaped more by the individual than by the organization and may be redirected from time to time to meet the needs of the person.³⁰

As has been seen, the old career model in most organizations is dead. That is the bad news. The good news is that careers are not dead. Today, however, working individuals or those who aspire to work must be self-designed in the context of varied and wide-ranging organizational opportunities, limits, and relationships. Yet people do not automatically become protean in their careers. To be protean means to be proactive about career management. What conditions and practices in the employing organization can promote the development of more protean careers? Consider some guidelines and their implications for older workers, in both career and chronological age.

Promote "Real-Time" Learning

The "silver lining" of the difficulties in promoting lifelong learning for aging workers is the critical finding that has emerged from years of research on career learning that the best development occurs on the job.³¹ Therefore, a crucial task is to promote "real-time" learning by capitalizing on corporate turbulence. For example, programs called *action learning* at 3M, Motorola, and General Electric (GE) have a variety of formats designed to encourage the development of employees through projects such as creating east European marketing organizations or conducting research studies on emerging issues so new that no one else in the company is addressing them yet.

In most of these applications, workers and trainees operate in project teams, an environment that builds skill in managing complex relationships. So-called 360-degree feedback (because it comes from multiple sources and directions), change-management concepts, and training in teamwork and leadership skills are usually included as part of the learning program. In some cases, the team uses its own ideas and is responsible for the implementation and results of the ideas.

At Eli Lilly, experienced technicians have had access to developmental programs for years. Employees choose among projects, which are often related to total quality or continuous improvement processes, and add them to regular work assignments so that they can learn new skills. Action learners can enlist the aid of coaches as needed. The employees sometimes use developmental projects to position themselves with the necessary skills and experience to make a lateral cross-functional move as part of the career development process.

Recognize that Career Development Is Personal Development

A major part of the necessary learning connected with action learning projects is the employee's personal development—how the worker can become more personally effective in more complex and challenging roles. One way of thinking about personal development as a form of learning is shown in the matrix of managerial learning in Table 2-1.³²

This matrix depicts career learning in terms of two dimensions: the time frame (long vs. short) and the target of the learning (task vs. person). Short-term, task-related learning involves the acquisition of

TABLE 2-1

Four Types of Managerial Career Learning
for Continuous Development

		Focus of Learning	
		Task	Self
Time Span	Short-Term	Performance	Attitudes
	Long-Term	Adaptability	Identity

Source: D. I. Hall, "Dilemmas in Linking Succession Planning to Individual Executive Learning," *Human Resource Management* 25 (1986).

performance skills and concepts, most commonly through classroom training. However, longer-term learning objectives—such as adaptability on the task side and a deeper sense of identity on the personal side—are missing in most training programs. Adaptability entails learning how to be open to and cope with change by mastering new skills and managing new relationships at work. Identity means gaining self-awareness and skills in self-management. The most familiar ways of promoting identity learning currently involve self-assessment and 360-degree feedback from peers, subordinates, and superiors.³³ Other, more esoteric methods involve creative writing, Outward Bound-type training, and keeping a journal. Personal growth workshops are also in vogue.

Hall refers to adaptability and identity as "metaskills" because both characteristics equip a person to learn how to learn.³⁴ These metaskills are the essential career competencies of the future. This leads to a not so obvious point: it is fruitless to try to predict exactly what types of career competencies will be required in a given organization in the future. What is more practical is to help older workers, in particular, acquire the metaskills that will empower them to learn the skills themselves as the need becomes apparent. As one human resource professional noted, "I'm coming to believe that all career development is personal development."

A focus on the development of the "whole person" is a trend in this personal growth work. Therefore, in many companies interest is growing in work/life and dual-career couple issues, and programs in stress management and wellness are being adopted. In the past, these issues were seen as concerning only the employees; now,

however, they are seen as affecting company competitiveness and thus as a company problem.

This emphasis on personal development reinforces the important point that selection is development. When an employee is given an assignment or chosen to work on a team with a group of key people, much of that worker's learning will be personal. To be successful, employees will be forced to engage in personal reflection and to seek feedback about their own behavior and styles, especially in the event of setbacks.³⁵ This leads to a second not so obvious point: the more attention that companies give to intelligent selection and placement decisions, the more they assist in the personal development of employees.

Use Mentoring, Coaching, and Relationships to Promote Learning

As just discussed, mentoring and other relationship-based forms of learning play a critical role in career development. But these forms are also becoming more widely used in real-time learning situations. At ARCO, for example, personal consultants provide very focused skill-building coaching to older managers in very short (two-hour) sessions. In addition, research by K.E. Kram and Hall finds that mentoring is especially useful as a form of development under conditions of organizational stress—the environment of most firms today.³⁶

The problem with mentoring is that it cannot be forced: concerned parties cannot assign someone to be another person's mentor. The solution is to create conditions that will encourage and reward the natural development of mentoring relationships. To be most effective, the mentoring relationship should be tied to specific job-learning needs and to the strategic direction of the firm.³⁷ But if managed well, mentoring is an ideal learning form in today's under-resourced organizations: mentoring promotes learning for both parties; it develops support and community through good relationships; and best of all, it is free.

Recognize Individual Differences: Provide Career Paths with High and Low Involvement for Workers over the Course of Their Careers

As organizations use jobs to promote development for workers over the course of their careers, they also need to recognize that

employees have major individual differences in job expectations, both in general and later in their careers. For some workers, the goals might be continuously high levels of challenge, growth, and development—the so-called intrinsic rewards of work. Accordingly, they would be oriented toward a “high involvement” career path.

However, other workers most want extrinsic rewards—for example, steady pay, good benefits, and congenial working conditions. The solution, if feasible, is to find ways to match these workers to jobs suited to their talents and needs. Certainly companies will continue to have jobs that are less demanding psychologically. These types of positions might offer flexible work schedules, job rotation for variety, the option of working at home, and in later career stages the opportunity for job holders to fill lower-level, less demanding positions. Although probably not as remunerative as in the past, a low involvement career path could nonetheless provide a feasible, low stress alternative to staying on the fast track. An example of this two-path career model, as proposed for plateaued workers by Hall and Samuel Rabinowitz in 1988, is shown in Figure 2-1.³⁸

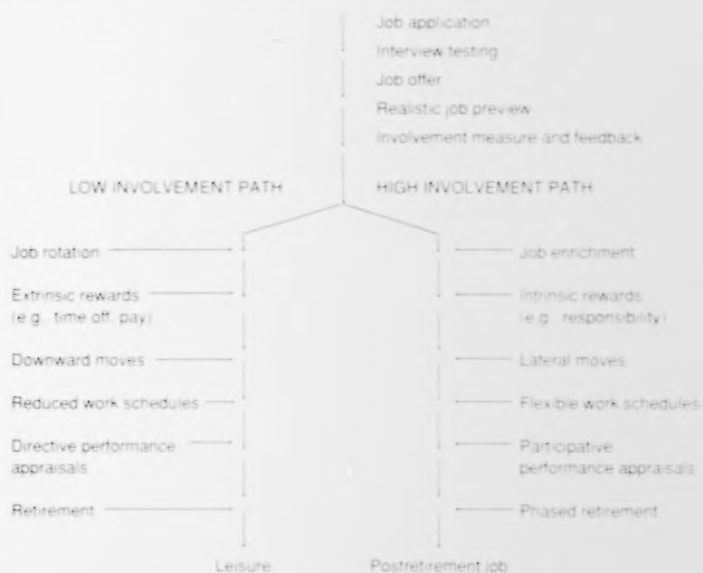
It is important to recognize, however, that an exclusively high or low involvement career is not the answer. Companies are already making informal accommodations, enabling parents of young children to take on less demanding assignments (in lower involvement jobs) for a period of years and then resume more intensive work (in higher involvement jobs). Growing interest in providing executives with sabbaticals or other employees with leaves of absence to pursue personal goals typifies movement in and out of the high involvement career track. This kind of career development option would certainly aid employees as they aged within career cycles, and such an option would be a real boon to older workers.

For example, formerly retired workers pursuing second careers could use the low involvement route to remain active, to do something meaningful, and to maintain a social network. Psychological success for these people will come from maintaining rich and balanced lives. The lessons from current corporate initiatives regarding work/family issues may also be applied to the search for flexible work options for older workers.³⁹

BARRIERS TO CHANGE: WHY ORGANIZATIONS CANNOT WORK WITH OLDER WORKERS

The case has been made here that in the future, companies will undergo continuous restructuring and will increasingly rely on

FIGURE 2-1
Two-Path Career Model



Source: D. T. Hall and S. Rabinowitz, "Maintaining Employee Involvement in a Plateaued Career," *Career Growth and Human Resource Strategies: The Role of the Human Resource Professional in Employee Development*, ed. M. London and E. Mone (1988).

workers at all levels to define corporate strategy and particularly to adapt it to changing conditions in the marketplace. Firms will also depend more on multiskilled workers, who will be moved from job to job, from unit to unit, and even across organizational boundaries to respond to pressing organizational needs as well as to continuously develop skills and careers. From our vantage point, real-work assignments can provide employees with continuous development, but such development in any one organization is feasible only to the extent that job assignments and human resource development are linked to the strategic needs of the organization.

The consequences of change in business, in turn, could broaden outlooks about the value of older workers to corporations and provide new opportunities for workers to manage and develop their

careers over the life course. Indeed, the movement toward the development of older workers will be facilitated by natural competitive forces in the business environment. Companies will continue to employ short-term tactics in response to business challenges, but they will also pursue long-term strategies and directions.

Strategically managed companies that are competent in discerning good and reasonably priced resources in their environment will see that older workers are a highly cost-effective and competitive resource. Older workers in these firms may already possess specialized skills or experiences in common—something that the employer happens to need right now. Or these workers may have demonstrated that banks of varied experience help them learn quickly in new situations.

In addition, older workers and younger workers may have different time spans: the younger are likely to be looking for work lasting a few years rather than for a 40-year career. Thus, the time horizon of younger applicants may be ideally suited to taking on the kinds of temporary assignments that will constitute important work in corporations in the future.

Still, a variety of barriers must be overcome for this vision to come to life. Even enlightened managers may doubt the cost-effectiveness of continuing to invest in aging employees, and surely many managers in companies today think older workers are too inflexible to accommodate rapidly changing employment options and too set in their ways to learn complex new skills.

Barrier 1: It Is Too Costly to Continue to Invest in Older Workers

Companies faced with a choice between the early retirement of older workers or retraining and redeploying them generally favor the option that is seemingly more cost-effective—getting rid of them. One rationale for this tactic is that companies may not recoup the benefits of further investment before older workers retire because these employees have fewer years of employment ahead of them.⁴⁰

This economic logic is turned on its head in the adaptable company. For instance, the retraining and redeployment activities of today's companies would be a more or less continuous process, proactively planned for and thoughtfully designed rather than a reactive, one-shot undertaking. Indeed, as employees age through several career cycles, companies will apply cost-benefit criteria to their continued employment and development. Ironically, older workers, having benefited from continuous development, may

prove more expensive to replace than employees in the early years of their careers.

Second, adaptable companies may have more options from which to choose. Moving older workers from high to low involvement job assignments is one option. Given that corporations will have closer relationships with supplier plants, distributors, and other firms on their second leaf, it is not hard to imagine companies using these firms much like the farm system in professional baseball: drawing in young people after they have gained some seasoning and sending back older workers who might well serve as mentors and coaches in addition to performing day-to-day chores.

Third, moving older workers from full-time to part-time status will be more feasible as firms make greater use of contingent workers and the third leaf of their workforces. Obviously, the enactment of some form of nationalized health care coverage would make the part-time option even more attractive to employers. Part-time work would also be attractive to a segment of older workers who now hold full-time jobs. A survey of older Americans working full time found that a substantial number of both men (31 percent) and women (36 percent) would prefer part-time work.⁴¹ In contrast, fewer older men (17 percent) and women (19 percent) who work part time would prefer full-time employment.

Barrier 2: Older Workers Are Too Inflexible and Difficult to Train

Another variant of the cost-effectiveness argument against keeping older workers is that they simply cannot learn the skills needed to master today's jobs—that they are too inflexible to adapt to new assignments. While surveys show that employers give older workers high marks on performance, loyalty, attendance, and even job skills,⁴² the perception persists that “you can't teach an old dog new tricks.”

Our survey of 400 employers was among those finding that older workers are rated better than the “average employee” in various performance ratings, including worker attitude and turnover. However, employers rated older workers worse in health care costs, flexibility, and suitability for training (see Table 2-2). The factors involved can create a vicious cycle: given that managers find older workers more difficult to train, organizations logically put fewer resources into their training, causing their skills to erode further. One

TABLE 2-2**Areas Where Older Workers Are Reported as Better than the Average Worker or Younger Workers, 1991**

	All Companies	Companies with 30% or More of Workforce 50 and Older
Work attitudes	57%	64%
Turnover	76	74
Absenteeism	66	60
Job skills	48	45

Areas Where Older Workers Are Reported as Worse than the Average Worker or Younger Workers

	All Companies	Companies with 30% or More of Workforce 50 and Older
Health care costs	64%	79%
Flexibility in accepting new assignments	57	62
Suitability for training	37	50

Source: P.H. Mirvis, ed., *Building the Competitive Workforce: Investing in Human Capital for Corporate Success* (New York: John Wiley & Sons, Inc., 1993).

consequence of this cycle is that during corporate cutbacks, managers are more prone to believe that older workers are expendable.⁴³

A wealth of evidence disputes stereotypes about older workers' adaptability and learning potential.⁴⁴ Yet research indicates that many older people are uncomfortable with classroom-type skill training and have more trouble than younger workers in digesting written instructional material. The anxiety of some older workers about performing poorly on tests hampers digestion of information.⁴⁵ Another problem with corporate education programs of the classroom type is that so few firms make use of age-appropriate

instruction methods and materials. Solutions to the problems are to acquaint trainers with the special considerations they will encounter when teaching older people and to tailor training programs for older learners.

Barrier 3: This Is a Lot of Fuss for So Few Older Workers

Workers older than 55 constitute about 12 percent of the workforce. Thus, many companies, burdened by so many complex employee issues competing for attention and resources, simply do not take the time or trouble to develop policies and programs geared to the needs of older workers. Indeed, our survey showed that the great majority of firms consider the educational deficiencies of entry-level workers and the conflicting demands of working parents as important issues that have a bearing on company competitiveness. Many employers believe that accommodating increasing numbers of minorities and immigrant workers is a competitive issue. However, just one in eight companies sees an urgent need to respond to the aging of the workforce.

Indeed, some disturbing evidence indicates that while programs targeted at working parents, women, and minorities have increased dramatically over the past several years, companies have been far less inclined to develop programs that serve the interests of older workers. For instance, most employers offer parents unpaid leave to care for sick family members, and many have flextime options so that workers can better match work schedules with personal and family needs. Increasing numbers of employers have also set up special training and mentoring programs for women and minorities. Yet only one in three companies in the study offers older workers the chance to transfer to jobs with reduced pay and responsibilities. Just one in five provides older workers with alternative career paths or the option of taking a phased retirement.⁴⁶

Increases in the number of older people in the workforce as baby boomers age may lead to more corporate attention to the issues related to an older workforce and to more responsiveness to the needs of these workers. This was certainly the case with working women. The number of group members has been frequently cited as the major reason companies have become more aggressive in responding to the needs of working women.⁴⁷ It is time to raise the consciousness of relevant parties about the advantages of having older people in the corporate workforce as well.

DIVERSITY INCLUDES AGING

The valuing of diversity is too often thought to be affirmative action rather than strategic activity. Yet the resources to be found in a diverse workforce can hold great potential for gaining a competitive edge by strengthening the employee talent pool. Further, the adaptive organization, so dependent on having employees scan the environment for opportunities and respond to the opportunities quickly and creatively, can especially benefit from workforce diversity. The argument has been made, for example, that as diversity in the workforce mirrors diversity in the customer base, the firm with a diverse workforce undertakes continuous market research and builds customer preferences into its products and services.

Already companies are finding that older Americans are worthy of their own special products and marketing efforts. Increasing the number of older workers in the design, manufacture, and testing of consumer products and surely in service delivery will be one way of ensuring that products and services suit the tastes and fit the needs of the rapidly growing market segment of older consumers.

In addition, there is interesting evidence that groups whose members reflect the diversity of society generate more creative ideas than do more homogeneous groups and that they often engage in behavior that is more cooperative than competitive.⁴⁸ Age diversity is another means of stimulating ideas and fostering cooperation in corporations dependent on innovative and smooth responses to changes in the business environment.

A good example of this diversity advantage is the recent emergence of Morgan Bank as an international banking power. Years ago, Morgan decided to recruit from around the world people who held master's degrees in business administration.⁴⁹ Thus, Morgan became one of the first U.S. banks to develop a cadre of top international bankers, a development that gave the organization a significant competitive edge in the global financial services market. In a similar way, Xerox's many diversity activities not only have contributed to its business success, but also have made it an employer of choice for minority employees. Corning's and GE's activities to promote work/family flexibility and diversity in a strategic way have been equally successful.⁵⁰

Older workers provide another natural advantage, which is associated with a theory that says that workers must reach a certain executive level by a certain age (e.g., 40) and that the slower advancement path taken by employees, often women, in family and career

combinations keeps them from reaching the target level by the target age—they hit a “glass ceiling.” More and more companies are finding that the glass ceiling is an unnecessary correlate of ageism in corporate life. Indeed, the very idea of an age-based career ceiling can become a self-fulfilling prophecy: older workers naturally reduce effort and commitment to development when further advancement is seen as unlikely. In addition, if they feel that their careers have plateaued, with all else being equal, they are more likely to retire early.

Recognition by employers that older workers are valuable would impart a different message to employees concerning worker assets at later career stages. With assumptions related to employee age being revised, the nation is seeing that people can perform successfully in senior positions long after they reach what is often viewed as the upper age limit. Thus, additional consciousness-raising about the benefits of age diversity might shatter this glass ceiling in corporations.

WHAT OLDER WORKERS AND COMPANIES NEED TO DO

In the adaptable corporation, the role of older workers, aging in career and chronological age, depends on older employees assuming the personal responsibility associated with managing a protean career. This requires a mind-set different from the one that typifies many older workers—those who customarily view (and have viewed) organizations as being responsible for careers. In particular, the protean career model puts three new responsibilities on older workers and their companies.

(1) Develop a New Definition of Career Progress and Success

Seymour Sarason makes the point that most people entering the workforce in the 1950s had a “one life/one career” outlook.⁵¹ Many entering the workforce in the past 30 years have recognized to some extent the necessity of changing jobs more frequently or even of changing their careers. Most, however, are still imbued with the idea that a career is marked by constant progress and that occupational success is defined by mastering a job and then savoring the recognition and perks that seniority brings.

As argued earlier, more careers will be cyclical, with periodic movements between skill apprenticeship, mastery, and reskilling. In

addition, lateral rather than upward movement will likely constitute career development, and late careers will more likely be defined in terms of phased retirement.

However, this model of career progress is new and not yet accepted as the norm by many workers and managers. In fact, it seems the antithesis of the onward and upward ideal that so fires the American imagination. It also does not fit the more conservative but realistic ethic that eventually, through hard work and diligence, a person can make it in a chosen field of endeavor.

As the careers of more and more people unfold in peaks and valleys, and as the essentialness of lateral motion to multiskilling and continued employability gains currency, cyclical career progress will become acceptable and, surely, respectable to the American workforce. During the transition period, however, working people will have to adjust expectations about career progress and savor the intrinsic rewards and the psychological successes that come from challenging new assignments.

Obviously, this sort of reconditioning would be facilitated if corporations held open discussions of these new career paths and the reasoning behind them. Helping employees in career and life planning would be essential, as the following examples typify:

- Protean career management workshops could help older workers recognize the range of their skills, increase their adaptability, and clarify their career identity.
- Training for managers would raise their understanding of how current business problems could be addressed successfully by older workers. The two most logical places to insert this content would be in general management development courses and in managing diversity training programs (focusing on age as a key diversity factor).

Companies employing the flexible staffing opportunities provided by older workers would also need sophisticated human resource databases—information and deployment systems based more on skill than on function, enabling managers in different parts of the business to identify older workers who possess needed aptitudes and skills. Innovations in compensation would also be essential and could include linking pay with skill development and rewarding people for taking on developmental job assignments. Finally, it would be incumbent upon employers to ensure that workers gained psychological success in lieu of promotional success.

(2) Take Responsibility for "Learning a Living"

Workers of all ages, particularly older workers, must be alert to on-the-job learning opportunities. Tomorrow's version of "color your own parachute" will advise that a worker should take any opportunity to serve on a committee or task force or project team that opens up learning opportunities and provides exposure. Questions such as "Will I be compensated for this extra work?" should not be considered. The compensation is in continued employability. Self-responsibility also means continually networking and taking advantage of formal development and education programs.

Many older Americans recognize the importance of upgrading their skills. A recent survey found that 4.6 million workers from 55 to 65 years old would take classes to improve their employment opportunities and skills.⁵² But intentions do not always match behavior. In the future, older workers in the United States will have to be more proactive about learning new skills if they plan to stay in the labor force.

Of course, corporations can do more to provide formal learning opportunities for older workers. Our survey of 400 employers revealed that companies are much more likely to invest in younger workers than in older ones (see Table 2-3). While this investment gap may be reduced as companies learn that older workers are valuable, the hard conclusion is that older workers will simply have to invest more of their own monies to further their education for a career.

(3) Make Change a Friend

Finally, it seems inescapable that older workers will have to change assignments, jobs, and even companies. With frequent job

TABLE 2-3

Corporate Investments in Training by Career Stage of Employees

	A Lot of Money	Very Little Money
Younger workers (35 and under)	29%	21%
Mid career (36-50)	26	23
Older workers (51 and over)	17	34

Source: Mirvis, *Building the Competitive Workforce*

rotation, developmental assignments, lateral career moves, and movement from the first leaf of the adaptable company to the second and third leaves, even the most adaptable workers will find their "new" careers taxing. Older workers who cannot adapt to this kind of change will likely find themselves downwardly mobile at an earlier age than expected—or will simply be ushered out.

One factor may ease the stress on older workers: many firms, according to our national survey, believe that older workers deserve special treatment in light of seniority and service records. Yet the adaptable corporation described here may seem excessively cold and calculating in its human resource outlook—welcoming, perhaps, of its "fittest" older workers but instrumental in its handling of the less adaptable and able.

Two other factors will probably make a difference inside the firms that treat older workers harshly. First, the public and employees constantly judge companies on how they manage not only stars in the workforce but also everyday workers. Second, companies that lead in responding to the needs of older workers tend to be human resource leaders in all respects. They foster human development in the corporate culture and also have a humanistic outlook on the worth and dignity of human beings. They are not in business just for the money; they feel an obligation to their employees.

In the future, corporations will need to reaffirm the value of people in an age of instability. The "psychological contract" is a clearly articulated set of values tied to the development of careers for employees and to the expressions of management's desire for employees to have careers in their firm.⁵³ The current interest in reaffirming the contract could be a powerful step toward reaffirming the value of workers. This step would be especially important for older employees who feel that their loyalty has not been appreciated or rewarded. It could also be a great competitive advantage in a historically values-driven firm, which is what many of the most radically restructured companies happen to be.

INFRASTRUCTURE SUPPORT

Up to this point, most of the observations and recommendations have focused on corporations and older workers. It should be obvious, however, that other institutions will have to help employers and employees adjust to the requirements of strategic adaptability.

What Government Can Do

The role of government should be to enhance the operation of the natural forces supporting continuous employee development. In addition, legislation related to age discrimination should be further publicized to give older workers, as well as human resource officials in organizations, a clear understanding of the implications of such discrimination. Visible enforcement of legislation is also essential. The federal government could also help remove barriers that keep older workers from continuous employment.

A national health care program that allocated the costs of health insurance across larger blocks of working people would mitigate the concern, particularly among smaller employers, that it is simply too costly to keep older workers on staff. Reforms in the pension system that allowed for portability and did not penalize people for working beyond the time when their pensions have maximum value would go a long way toward encouraging older workers to seek new training and new jobs or to participate in a corporate phased retirement program.

In addition, the public sector can be a showcase of how to creatively deploy older workers. Already, government programs that enable retired executives and professionals to work part time in public agencies are models for private sector businesses. Should not efforts to re-invent government also include innovations in continuous employee development and flexible staffing that would add value to aging workers and demonstrate how they can contribute effectively in later years?

Information sharing about practices that work is vital, as is consciousness-raising about the aging of the workforce. For example, the *Work in America* study helped to crystallize knowledge about changes in the workforce back in the 1970s.⁵⁴ The National Commission on Productivity and the Quality of Work Life sponsored research and demonstration projects that helped prove the merits of employee involvement, joint labor-management change projects, and innovations in work design and compensation. The Department of Labor/Hudson Institute's *Workforce 2000* study is a more recent example of government's bringing a human resource issue to the attention of the nation's businesses.⁵⁵

Another potential area for action concerns research consortia. Some notable examples of cooperation between the U.S. government and industry are in semiconductor developing and machine tool upgrades, as well as their efforts to speed the development of

"smart" software. However, our research has failed to unearth evidence of sustained attempts to use the resources and auspices of the government to bring together human resource managers, academics, consultants, and industry to pool intelligence and support research on new ideas about managing older workers. But several national commissions and research studies on how to facilitate the school-to-work transition have focused on the problems created when under-prepared high school students enter the workforce. Commissions and studies are needed to gather, pool, and disseminate knowledge concerning the problems (and opportunities) posed by an aging workforce.

Finally, agencies in the public sector can engage in partnership activities with advocacy groups such as the American Association of Retired Persons, which represents people 50 and older, and lend even more support to associations like the National Council on the Aging, whose membership includes groups that promote the employment of older Americans. Support for programs offered by the Retired Federal Executives Institute is another area for improved "partnering."

What Educators Can Do

Obviously, school systems and community colleges could do much more to meet the needs of older workers for continuing education. For instance, vocational education programs could be made more available to older workers through a variety of evening courses. More variety in evening courses would have the side benefit of increasing awareness of education needs. Awareness, in turn, would increase support for public education and perhaps ameliorate the cross-generational conflict over education in many communities that stems from the refusal of older citizens to support referendums to aid local schools. The reason older citizens do not support this type of referendum is that they perceive no benefit to themselves in local school programs.

Further, partnerships between businesses and public schools, now geared primarily to young people, could expand to focus on the needs of aging workers.⁵⁶ Already, some forward-looking businesses rely on trade schools and community colleges to help them retrain employees. It is foreseeable that a consortium of businesses in a local community—in partnership with high schools, trade schools, and community colleges—will establish programs

whereby aging workers, at several career stages, will seamlessly move in, out, and among businesses and schools as the workers continuously "learn a living."

What Associations and Nonprofits Can Do

Nonprofits have much to contribute. Several national and many local nonprofits are already helping to place executives and professionals in part- or full-time positions following retirement, early or otherwise, and selected nonprofits serve the neediest older workers. Many unions assist displaced members and offer them training and social support to aid in the reemployment process. But there is no national association keyed directly to the needs of aging workers. It is not difficult to imagine an American "guild" (with regional arms) of aging workers forming to help older people continue their education and to offer them skill certification, job placement, and even financial assistance.

THE CASE FOR CONTINUOUS EMPLOYABILITY

Our overall feeling is that the combination of market forces and demographic trends means that the business sector and society as a whole will have no choice in the future but to employ and develop older workers more. Society simply cannot afford to support a growing number of retired people with a shrinking base of employed people.

Some of the ideas advanced here about continuous corporate restructuring—the continuous development and multiskilling of workers, career paths among the three leaves of the adaptable company, and the notion that people will move from job to job, and even employer to employer, with the assistance of government, schools, nonprofits, and consortia of corporations themselves—may seem far off in the future and even far-fetched. On this point, it is worth noting that ideas about participatory management, flexible hours, work/family initiatives, and corporate-sponsored personal development programs, as well as private-public partnerships in education, health maintenance organizations, joint ventures between businesses, and even total quality management and employee ownership seemed just as far off and far-fetched 20 years ago.

This chapter began with the statement that corporations have not treated older workers kindly. The assertion might as well have been that corporations have treated older workers stupidly. Make

no mistake—an economic rationale is behind the argument for continuous development of an aging workforce.⁵⁷ Evidence is mounting that short-term stopgap measures, such as early retirement programs for and targeted layoffs of older workers, have been extremely costly.⁵⁸ Indeed, these measures are rapidly being abandoned by American firms that have become knowledgeable about older worker concerns.⁵⁹ Further, results from a series of studies show that continuing to develop older workers and even hiring more of them yield gains for economically rational organizations.⁶⁰

A combination of future labor and skill shortages, if coupled with advantages gained from being wiser about older worker issues, will make innovation in the management of older workers a factor in achieving competitive advantage. Indeed, global competitiveness will to some extent hinge on whether U.S. firms prove to be strategically more or less adaptive than firms in Japan and Europe—regions where aging populations will also affect the workforce dramatically.

Finally, the civic and civil benefits of responding to the needs of aging workers are many. Before responding as it should, however, society must deal with related events, rumors, and attitudes. Some analysts predict cross-generational warfare in the not too distant future, when younger and older Americans will fight over health care and social security costs. Stereotypes about “greedy geezers” are in fashion and are as insidious as the belief that older people are inflexible and unable to learn. Over the past 30 years, people have made profound changes in their attitudes about women and minorities. As a result, these two groups now have better access to opportunities and are contributing much more to the nation’s economy than they did before. Most would agree that America is better for these changes. Just as dramatic a change in the lives of older American workers can be expected in the years ahead.

NOTES

1. P.H. Mirvis, ed., *Building the Competitive Workforce: Investing in Human Capital for Corporate Success* (New York: John Wiley & Sons, Inc., 1993), based on Louis Harris & Associates Laborforce 2000 survey of 406 members of the Conference Board.

2. V. Anand, “Older Workers Bear Brunt of Corporate Cutbacks,” *Investors Business Daily*, January 29, 1992, p. 10.

3. A top executive’s quote that CIGNA would rather keep “up-and-comers” than “someone over 50” appeared in a trade publication.

4. P.H. Mirvis, “Job Security: Current Trends,” in *Encyclopedia of Career Change and Work Issues*, ed. L.K. Jones (Phoenix: Oryx Press, 1992).

5. K. Davis, "Changing Nature of Employee Health Benefits," in *Building the Competitive Workforce*.
6. D.L. Kanter and P.H. Mirvis, *The Cynical Americans: Living and Working in an Age of Discontent and Disillusion* (San Francisco: Jossey-Bass, 1989); and P.H. Mirvis and D.L. Kanter, "Beyond Demographics: A Psychographic Profile of the Workforce," *Human Resource Management* 30 (1, 1992):45-68.
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Developing the New Competitive Workforce

**by Anthony P. Carnevale
and Susan Carol Stone**

"The same economic upheaval that has hurt so many older Americans is engendering what may prove to be their saving grace: forward-looking, cutting-edge management and the redefinition of the workplace and of work careers."

Millions of Americans aged 50 and older have seen their country mobilize to take on enemies in hot and cold wars. They have participated in a scientific revolution that has taken America from cars with running boards to sophisticated deep-space probes and from medicines derived from spores and bark to those based on biogenetic engineering. They have experienced fundamental shifts in American society—the civil rights movement challenged them to examine their prejudices, the women's movement insisted they reevaluate their most intimate relationships, the gay pride movement forced them to ponder time-honored values, and the counterculture denied the validity of their lives.

They have weathered it all. They have questioned, reevaluated, and adopted new ways of working and new kinds of technology. Again and again, they have made the changes demanded of them by a new world that they or their peers played a large role in shaping. Yet today they are told that because they have crossed an arbitrary, chronological boundary, they are no longer able to adapt.

There is no question that the workplace today demands a great deal of adaptation. Its ground rules are being radically altered, and its economic context is dramatically shifting, with U.S. industries rushing to restructure in the face of internal and external pressures. In the process, industry and society are redefining the nature of work and the workplace.

ISSUES AT THE NCOA-NPA SYMPOSIUM: Participants' Concerns . . . Author's Responses

Michael Useem (Professor of Sociology and Management, Wharton School, University of Pennsylvania) asked about specific training programs geared to older workers. According to Carnevale, as people age in the workforce, they become separated from other workers, just as young people coming into the workforce are separated. Debating the impact of strategies to retain or improve the productivity of older workers begs the question of how much employers want to retain them. Advocates of retention stress the need for more and better human resource management and development to leverage the productivity of older workers.

Tim Hall (Professor of Organization Behavior, Boston University) brought up the personal and emotional side of establishing a career. Carnevale believes that one factor that binds generations and affects people's optimism about the future is their personal commitment to work or to the organization. As younger people enter the job market, they look to see how older workers are being treated. A relationship exists between the treatment of older employees and the commitment of younger employees. All employees, but particularly older workers, can be helped if companies develop a more humanistic approach to the workplace.

REDRAFTING THE "PSYCHOLOGICAL CONTRACT"

From the older worker's perspective, one of the most far-reaching changes under way is the redrafting of the long-standing implicit "psychological contract" between employers and employees. But if older workers report fear, anxiety about the future, and uncertainty about their value as productive members of society, it is not because they dread change; rather, they fear discrimination. They fear being excluded from the new opportunities springing up in the workplace solely on the basis of their age. They worry about being shunted aside to make room for younger workers who are presumed (again, solely on the basis of their age) to be less costly, more productive, and needier.

Older workers see companies, especially in the manufacturing sector, downsizing primarily at the expense of their peers. Many have seen younger men and women routinely offered retraining

opportunities they were denied. They have watched younger colleagues receive more positive performance evaluations for equivalent work. All the while, these same older workers have heard top management extol their virtues in general meetings, company publications, and interviews with pollsters. Yet these praises are not apparent where they count—in face-to-face discussions about retraining options, part-time work opportunities, reassignments, and other alternatives to early retirement or layoff. According to Martin Sicker, head of the American Association of Retired Persons' (AARP) Work Force Programs Department, older employees "don't take off from work because the spirit moves them; they come in when it snows." He also noted that "Managers say they're great employees. But when researchers ask, 'Do you hire them?' the response is, 'No, we don't.'"¹

This is not to imply that no one hires older workers or that no one values them. In companies with innovative human resource policies, employers and employees sit down together as individuals, not as the embodiment of stereotypes, and the results are heartening. Management learns that older workers are not necessarily more expensive than younger workers and that their health care costs—a primary concern to most—need not put older workers out of the running. Experience has proved that any higher costs in wages or health care are often offset by other factors: older workers are in general healthy; they may have fewer dependents who need coverage; they learn and retrain just as easily as workers of other ages; and their experience and maturity can translate into high productivity and quality work. Indeed, they are frequently better candidates than their younger counterparts for jobs that require mastering and applying more than one skill. Companies making the effort to assess the contributions of their older employees on the basis of individual performance—rather than on attributes assumed because of their age—reap significant benefits.

Defining the Term "Old"

A growing body of evidence clearly disproves many of the myths and stereotypes about older workers. If science agrees on anything, it is that older people are heterogeneous. This may explain why the term "older worker" keeps being redefined. Although many statistics refer to ages ranging from 55 to 64, the law defines an older worker as anyone 40 and older. The legal definition tallies with the

attitude of many corporate recruiters who consider 40 and up unacceptably old. But the image of the older worker is by no means uniform. In some industries, 35 is considered over the hill. In this chapter, an "older worker" is considered to be 50 and older unless otherwise specified, while "elderly" is defined as 65 and older.

The arbitrariness of these definitions illustrates what a slippery task it is to define what is "old." It also provides some inkling of how frustrating it can be for a worker to be labeled too old when he has just turned 42 and had his first child, or she has celebrated her 53rd birthday and her child has finally declared a major at college.

The attitude of employers cannot be entirely explained by the well-known phenomenon of institutional lag—policies developed to meet the needs of yesterday's society. In many cases, it is age discrimination. Gerontologist and author Robert N. Butler named this phenomenon "ageism" in 1968, and the term persists because it is subtle, deeply rooted, and largely unconscious.²

Perpetuating Age Discrimination

America's societal values and youth-oriented culture unwittingly perpetuate the negative attitudes that underlie age discrimination. Moreover, increased specialization and a rapidly expanding base of knowledge with easy-to-access information have combined to rob the elderly of the one strength that Western culture recognized—their ability to transmit accumulated knowledge and experience. Today, older Americans find that many of their young colleagues do not look to them for guidance as they themselves once looked to their elders. Rather, they are routinely consigned to the background, while newer generations rely on advanced degrees, "technosense," and youthful enthusiasm. In turn, many older workers find themselves dismissing the mere "book learning" of their younger, less experienced colleagues. At times, older workers may also find themselves envying their colleagues' youth, especially when it seems to garner the social and professional rewards they used to assume were their due. Thus, those at both ends of the age spectrum may cling to simplistic generalizations and assumptions that get in the way of clear thinking. In the case of older workers, this carries a steep price tag. In the words of one observer, "American corporations are trashing an entire generation."³

But the same economic upheaval that has hurt so many older Americans is engendering what may prove to be their saving grace: forward-looking, cutting-edge management and the redefinition of

the workplace and of work careers. The consequences of economic stress may provide an unprecedented opportunity for employees and employers to slay the dragon of age discrimination and get on with the business of rescuing the corporate maiden.

THE ROOTS OF AGEISM

Every day, society subjects older Americans to a barrage of advertising, fashion photos, and television sitcoms in which the term "youth" is synonymous with attractiveness, strength, potency, speed, productivity, innovation, and conquest. The mistakes of youth are dismissed with a smile as the product of overenthusiasm and charming naiveté. Harder hitting still are other common but powerful images, such as gray-haired women incapacitated by "minor arthritis pain" or older men concerned that they might lose their dentures when biting into an apple. They express the unspoken flip side of the portrayal of youth—the assumption that all who are no longer young are also no longer attractive, potent, strong, productive, innovative, or aggressive enough to conquer. In other words, they can no longer contribute fully to society; they are in many respects "dead." It is this unconscious association of age with imminent mortality that provides the foundation for ageism, which Butler defines as an attitude that allows us to "avoid, for a time at least, reminders of the personal reality of our own aging and death."¹

Death, the end of life, is the great, forbidding unknown, and men and women have from humanity's earliest days sought ways to come to terms with it. This quest has taken a particular bent that leads Butler to conclude that "We are so preoccupied with defending ourselves from the reality of death that we ignore the fact that human beings are alive until they are actually dead."² Death is embarrassing to society, something to be denied as long as possible, then hurriedly dealt with so that the rest of us can "get on with our lives." Death is positively un-American.

America the Youthful

America's history is greatly responsible for turning a natural and human fear of the unknown into a bias against any sign of aging. From the beginning, America defined itself as a young country with all the attributes of youth—vigorous, productive, ever on the move, enthusiastic, and aggressive in pursuit of its goals. A country had to be won, a wilderness tamed and settled, and a new frontier explored.

Later, America devoted its efforts and energies to creating an industrial base that was the wonder of the world and instrumental in winning two world wars and a Cold War and in putting Americans on the moon. America was getting the job done, spurred on and glorified by folk myths that emphasized feats of work prowess and boasted of superhuman effectiveness.⁶

Nationhood was not the only thing young about America; Americans were themselves young. In 1776, few could expect to live more than 35 years; a century later, on the brink of the nation's Industrial Revolution, life expectancy for Americans was a mere 40 years. By the centennial, people were living longer, but the country still boasted a population whose median age was 21.⁷ The nation's economic system, mixed but essentially market-capitalist, produced a set of attitudes that reinforced society's infatuation with youth. Such an economy put a high premium on efficiency, productivity, and the maximization of profit—all of which were achieved by the energetic enthusiasm for hard work that entrepreneurs and workers of all kinds were expected to display as America industrialized. With life expectancy relatively low and ill health still largely unchecked by medical science, older workers came to be viewed in the workplace as short-termers, unproductive relative to their healthier and younger colleagues.⁸

Along with this glorification of youth, however, Americans displayed a degree of respect for elders similar to many other societies throughout the world. The elderly were seen as repositories of knowledge, which made them "wise in the ways of the world," "understanding," and "knowing." However, the positive labels failed to carry the same weight in America as in cultures that prized reflection and knowledge over action. In this country of doers, wisdom and experience were valued, but never at the same level as action and high achievement. Horatio Alger did not stop to ponder; he got busy.

The spread of literacy and the transformation of America into an information society marginalized the elderly even further. Now, technology brings accumulated knowledge to the younger generation at the touch of a button. The information explosion made archaic the ideal of wise elders transmitting their wisdom to their students. Nor was the older generation called on to teach values to a baby boom generation that believed it was capable of redefining them for itself. As for providing a conduit to the living past, one view holds that Americans do not believe in history—perhaps because they are too busy making it.

At the same time, advances in medicine were ensuring longer lives for Americans, but not necessarily at peak health. In the 19th century, if a man or woman reached 80, in all likelihood that person had been exceptionally strong and fit. By the mid 20th century, octogenarians were more commonplace and represented varying degrees of health, including much bad health. The word "old" began to be associated with "tired," "sickly," and "debilitated." When the 1935 Social Security Act helped make retirement feasible, the notion was that older Americans should be "sent out to pasture."

Exacerbating this trend was the way in which cities and life cycles developed. In the growing number of two-generation, two-wage-earner families, a new generation of Americans began to move through life relating primarily with their peers. After years spent with classmates their own age, they moved on to childrearing and establishing careers—living in neighborhoods populated predominantly by other families in roughly the same age group. For a time, many baby boomers even banned children from their "adults only" or "singles only" apartment complexes. Their elders, meanwhile, slipped off to spend their so-called golden years in retirement communities, enjoying an unheard of independence.

Not everyone followed this pattern, but enough did to effectively layer American society by age group. This meant that there was less of the contact with older people that would have allowed the young to come to terms with their own inevitable aging. Late life took on the featurelessness of the unknown, unexplored because everyone's own old age and death lurked there.¹⁰ In the absence of positive older models in their daily lives, the young had little identification with the old, who remained "other," much like any minority. Out of this lack of contact grew what Butler terms a "schizophrenic" view of older Americans—the benignly smiling Rockwellian grandmother serving Thanksgiving turkey to her adoring grandchildren versus the crotchety, rumpled old geezer or the pathetic, youth-craving "wannabe." Older Americans have heard these contradictory attitudes echoed in everyday language through euphemisms such as "golden agers" and "senior citizens" for whom a compliment is to be told that they do not look or act their age.¹¹

The Anxious Golden Years

This schizophrenic view, largely shared by many older people, grew partly out of a lack of myths or rituals that could help Americans come to terms with and value stages of the life cycle beyond

youth. In pointing out this gap, the noted historian, sociologist, and journalist Max Lerner lamented that it "leaves the American without much sense of wonder at the successive phases of the individual's life history." The great transitions in a person's life are thus "conceived as burdens somehow to be borne," while American popular imagination remains "fixed upon the more abstract goals of the society. In the process, the sense of wonder is replaced by anxieties and tensions."¹¹

This has never been truer than today, when economic pressures are dredging up deep-seated attitudes and older Americans find themselves fighting against outdated definitions of who they are, what they need, and what they are capable of contributing. The anxiety expressed by older workers is not a function of their age, but rather a normal reaction to being misunderstood, disregarded, and undervalued. Indeed, anxiety is a misleading term for what they are feeling, for anxiety implies that there is no concrete cause for their worry. Fear is a better word—fear of being treated according to unfounded assumptions and expectations rather than their own strengths, experiences, and desires; fear of being overlooked in the reshuffling of the workplace and of not being offered the same opportunities for empowerment as younger workers.

What many older Americans need is not a spot on the golf course, but a job. Of people 65 and over, 12.2 percent—some 3.6 million—live in poverty.¹² Pension benefits and social security are often insufficient to guarantee a decent lifestyle, yet older people continue to be popularly regarded as a leisured class. They are not necessarily assumed to be pulling in large sums of money, but whatever they do receive is generally regarded as disposable income. The popular belief is that older Americans have paid off their homes, educated their children, and fulfilled the expensive responsibilities that accompany middle age. The picture may differ slightly depending on the racial or ethnic group involved. Older Asians, for instance, are inaccurately perceived as being uniformly cared for by family.¹³ For Asians, as for whites, blacks, Hispanics, and others, the myth that the golden years are serene persists even though common sense and statistics say that these are the very years in which Americans face the greatest stresses: the loss of a spouse or life partner; the fear that a catastrophic illness will cast them into poverty; and uncertainty over whether there will be enough retirement income to last an extended lifetime. How galling it must be when these fears are not acknowledged—when older Americans are unfailingly depicted in the popular imagination as grandfathers who start the day

with an easygoing game of golf or as grandmothers who gather their friends for a game of bridge in their well-appointed homes. How galling to have others assume that this is all they want or need.

These images disregard and trivialize the profound changes that longer, healthier life spans, postponed stages of the life cycle, and new economic times have wrought in the expectations of Americans. Many today reject the notion of radically altering their lifestyles upon reaching retirement age. Most Americans 45 and older would prefer a certain continuity as they make the transition between their work lives and their increasingly active retirement years.¹⁴ This could mean anything from working at a reduced level of involvement and responsibility to taking on volunteer activities or setting up as a part-time consultant.

Americans who are struggling just to get by suffer the unstated judgment that if a man reaches retirement age and cannot afford to live happily ever after, he has only himself to blame. He must have squandered his savings, planned inadequately for his old age, or preferred to take fancy vacations rather than make house payments and save prudently.¹⁵ Barbara Lawrence of the University of California traced this kind of intolerance to expectations that are deeply rooted in human society: "Chronological age is one of the few universal human experiences, and as a result provides a basic structural link between individuals and social systems. People use age to classify the members of a social system into categories and to match them with roles and statuses. The matching process produces widely shared beliefs about the standard or typical ages of members holding each social position."¹⁶

Although Lawrence's study was set in the hierarchy of the workplace, it helps explain why Americans pass judgment on people who somehow do not fulfill expectations—like the man of 55 who finds himself in need of a job because his pension is inadequate or the 60-year-old widow who suddenly discovers she cannot meet her house payments. Often, such judgments are based on an older life pattern. Today, as Americans continue to postpone childbearing, it is also not uncommon for those in this age group to have one or more children who depend on them for partial financial support. Some contribute to the care of parents or in-laws, while others have dependents older and younger than themselves. They are the so-called sandwich generation. Whatever the emotional or financial reasons, many older Americans need and want to work, while society at large still clings to outworn notions of what is appropriate for them "at their age."

Given the pervasiveness of popular misconceptions and myths about the elderly, it is not surprising that many older workers regard age as a personal failure. Many feel that they must suffer age discrimination in silence as punishment for what and who they have become.¹⁷ There are many examples of workers who have bought into the ageist belief that at a certain age they have suddenly become useless. The prevalence of stereotypes and myths continues to produce feelings of inadequacy among older workers. A former manager at Union Carbide who was laid off at the age of 52 told an interviewer, "After 10, 12, 15 years, you've learned 90 percent of what your knowledge and ability in the field is going to be. Somebody ten years into the market is still in the growth curve, and is willing to work for less than someone who gets to the top of the pay scale."¹⁸

The assumptions that underlie this statement echo the ageist stereotype that people over 40 or 50 have little room to grow and cannot learn new skills or improve existing ones. It also presupposes that older workers are unwilling to work at a reduced rate of pay and that they will end up costing employers more than their younger counterparts. Most insidious and damaging of all, the statement implies that all older workers are alike. Perhaps this assumption more than any other single factor is responsible for transforming the elderly into a minority subject to derogation, discrimination, and damaging stereotyping.¹⁹

Transforming Gold into Lead in the Workplace

In the world of work and profit margins, ageism translates into the belief that older workers have fewer resources to exchange for a job. They are deemed to have less or somehow inappropriate education, to have too few working years left to justify training, and to be less physically and mentally capable than those more attractive younger workers.²⁰ In addition, many assumptions about very old age have been transferred to workers in their 50s and early 60s, with the result that "retirement age"—which has for years been creeping lower—has come to be viewed as a cutoff point after which people are less capable of working. Differences in individual circumstances, abilities, and preferences are simply disregarded.²¹

Older workers find themselves also battling another set of assumptions. Just as older Americans tend to be regarded as responsible for their misfortune if their later years are not golden, older workers are also judged more harshly if they have not reached an

"appropriate" point on the career path. Although this point varies among industries and companies, studies suggest it is a rare workplace that does not have an unspoken expectation of where in the hierarchy a worker should be at a given age.²² Anne C. Vladeck, a lawyer who has studied the problem closely, has represented age discrimination cases in fields as varied as investment banking and the media. "The thinking is," she concludes, "that people who are not chiefs—people who are still at mid-level when they're in their 50s—must not be so good."²³ But what if those mid-level managers had delayed their careers by taking time off to raise children? What if their performance has been uniformly excellent? What if they have been asking for additional training to enhance their value to the company and been consistently refused? The point is simple: nobody asked; instead, assumptions were made.

An experiment conducted by Bruce Avolio of the State University of New York at Binghamton reveals just how insidious and unconscious people's assumptions about age are—and how damaging. He asked young professionals to listen to audiotapes of simulated interviews. He told them that the candidates had similar work experience and equivalent on-the-job performance. Avolio even had the same people impersonate both the young and the older candidates on the tape. When it came time to evaluate the candidates, the listeners tended to regard the older workers as deadwood and to judge the younger ones as adequate performers.²⁴

In good economic times, injustices stemming from this kind of bias are easily repaired in an expanding job market. As long as the United States was unchallenged as the preeminent economic power, most workers could expect to remain with a well-established firm for a lifetime, helping it to mass produce standardized items in return for "family wages" that allowed a gradually improving standard of living. Of course, there were differences in wages and levels of affluence, but for the most part, American workers were spread out on an economic escalator that seemed always to be moving upward. While this reality held, the underlying cultural and psychological bias in favor of youth had a less visible effect on older workers. But, as U.S. Secretary of Labor Robert B. Reich has said, the "fabled Fifties" were a narrow little world that excluded or at best confined minorities and women and wasted human resources by using people when machines could do the job better.²⁵ Managers may have unjustly assumed that their older workers were less productive, but as long as they were doing their jobs, the implicit psychological contract held.

By the mid 1970s, however, the situation was changing. Companies started to feel the pinch of global competition, government deregulation, and a sluggish economy. In what can be now be viewed as a portent of things to come, the frequent large-scale layoffs in cyclical industries such as aerospace affected older workers disproportionately. According to one survey, respondents 55 and older were "much more likely" to report that they had experienced age discrimination,²⁶ illustrating that a harsher economic climate had forced underlying assumptions and deeply held stereotypes—in other words, ageism—to the surface. There is little to suggest that these attitudes had changed by the mid 1980s, when once again a potent combination of perceived economic necessity and a widely held belief that older workers cost more and produced less shaped many corporate downsizing strategies. Downsizing, which has significantly affected older workers, has continued into the 1990s.

Underlying Attitudes

Corporate management continues to be ambivalent about older workers, subscribing at least tacitly to the myth that senior employees are significantly different from younger ones. Management believes that older people are more set in their ways, unwilling and unable to learn new skills or technologies, and slower, more forgetful, weaker, and sicker. Management also regards them as having fewer working years than their younger colleagues. Thus, investing in older workers—whether by hiring them, training them, broadening their skills by varying work assignments, or retaining them—yields a poor return for company resources expended. Ironically, when any of this holds true it is largely because management or company policy has created a self-fulfilling prophecy. By devaluing its older workers, especially by denying them training, management creates a depressing work environment that encourages neither high quality nor productivity. Under these circumstances, workers' skills can indeed erode along with morale. Any worker would be only too happy to escape from such a situation.²⁷ The converse is also true, as a recent Organization for Economic Cooperation and Development (OECD) study indicates. It found a strong link between employment stability—how long workers stay with a company—and the training they get from their employers.²⁸

Another related phenomenon is the fact that managers develop their own set of equations regarding age and worker contribution. An analysis of data gathered in the Louis Harris & Associates

Laborforce 2000 survey of 406 companies identified four distinct views concerning workers and their value over the course of their careers.²⁹ Of the human resource executives surveyed, 37 percent said they subscribed to the notion that a worker's value to the employer over time depends on whether that worker has maintained his or her skills. The researchers labeled this the "training-dependent pattern." It was followed in popularity by the "upward sloping pattern," which maintains that a worker's value to the corporation increases with time. The "plateau pattern," to which 28 percent of the executives subscribed, holds that a worker's value plateaus sometime in mid career and remains at that level. Finally, the "inverted U pattern," with which only 4 percent of the executives said they agreed, describes a worker's contribution during the early career stages as steadily growing, then plateauing for a period before dropping off sharply in the later stages.

Although these four patterns are presented as distinct, mutually exclusive sets of assumptions, in practice they sometimes merge. Older workers who have not had the opportunity to gain new skills throughout their careers find that their value has plummeted in the eyes of managers who believe in training-dependent patterns. In other words, these employees' contributions are considered to conform to the inverted U pattern. Unsurprisingly, an earlier study by the Conference Board indicates that belief in the inverted U pattern is more widespread than results suggest. The study concluded that management generally believes "that aging necessarily means declining health and safety, motivation, and productivity" and that this assumption presented the greatest impediment to the retention of older workers in an era of rampant downsizing.³⁰

Another seldom articulated idea that has been around since the 1930s and that continues to inform hiring and retention policies is that older workers should be encouraged to retire to vacate jobs for younger, needier workers. Social security was established in large part to achieve this goal, which continues to be seen as valid in a time of labor surpluses. Younger workers, it is felt, have families to support and need their jobs more than those who have worked all their lives and surely deserve a gold watch and a pension. This compelling scenario, however, does not take into account the radical changes in life cycles that were pointed out earlier. The postponement of childbearing and greater longevity have made it no longer a given that 50-year-old workers are necessarily unencumbered and therefore have less need for a job and a steady income. Longer life expectancy has also made a 30-year retirement increasingly likely—a

long time to spend in even the lushest pasture, let alone a semibarren one.

INFINITE SHADES OF GRAY

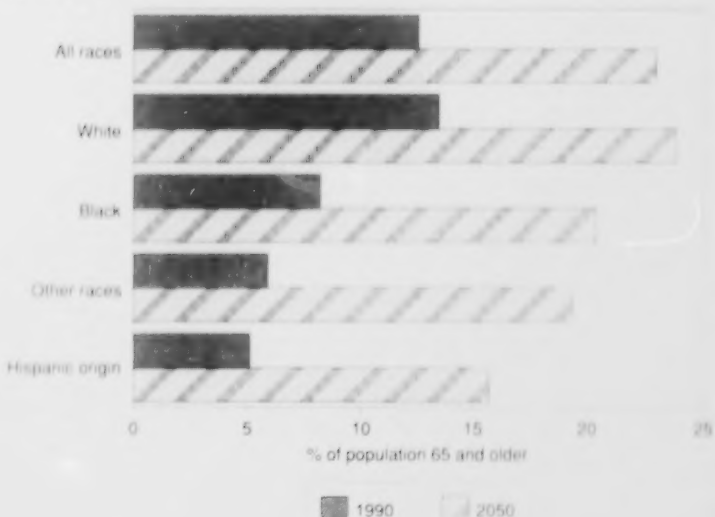
Knowing how difficult and inaccurate such assumptions can be, the focus should be on the individual, recognizing that the diversity that exists among older Americans today will intensify as humankind enters the next century. The image of retirees as white, male, well-educated, and comparatively well-off is commonly held to represent the majority. However, it might be distorted by the fact that, until recently, studies on retirement usually overlooked women. Women were regarded as "returning to their primary role" upon retirement and therefore were denied the counseling offered to their male colleagues and were excluded from studies about retirees and their adjustment problems.³¹

America's future retirees, many of whom will continue to work in some capacity, will be increasingly female and members of minority groups. The Spanish-speaking population will be especially well represented, as their numbers will expand at the most rapid rate.³² The oldest baby boomers will begin to retire about the year 2005, and they still will be overwhelmingly white. By 2050, the lower average age of minorities will not be as great a factor (see Figure 3-1). According to some projections, the total number of those 65 and older will have jumped from about 32 million to 69 million, with blacks accounting for 10 million and Hispanics representing 8 to 12 million (up from 1.1 million in 1990).³³ Minority groups will thus account for a larger percentage of the elderly population than ever before—and each will be pursuing its own agenda, even as they do now.

Women and minorities in the ranks of older workers and retirees are not likely to forget the political action and consciousness-raising efforts that have put their special concerns on the national agenda. Just as today's older Americans are generally more literate, more conscious of issues, and more activist than their predecessors, so will future generations of baby boomer retirees and older workers across the racial, ethnic, and gender spectrum enter this important stage of their lives with direct knowledge of the power of numbers. With each passing year, the nation's population of older workers resembles less and less a monolithic, white male group and more and more the shifting patterns inside a kaleidoscope. Attempts to deal with older workers as a homogeneous group or to dismiss their

FIGURE 3-1

Percentage of Population 65 Years and Older, by Race and Hispanic Origin, 1990 and 2050



Note: Hispanic origin can be of any race.

Sources: 1990 data from 1990 Census of Population and Housing, Series CPH-L-74, *Modified and Actual Age, Sex, Race, and Hispanic Origin Data*; and 2050 data from *Projections of the Population of the United States, by Age, Sex, and Race, 1988 to 2080*, Current Population Reports, Series P-25, No. 1018, U.S. Bureau of the Census (Washington, D.C.: U.S. Government Printing Office, 1989). Data on Hispanics from *Projections of the Hispanic Population: 1983 to 2080*, Current Population Reports, Series P-25, No. 995, U.S. Bureau of the Census (Washington, D.C.: U.S. Government Printing Office, 1988).

concerns altogether will undoubtedly be fiercely challenged and will prove even more counterproductive than they already are.

Who, Then, Is the Average Older Person?

Increasing racial and ethnic diversity is but one reason a sociologist would be hard pressed to draw a meaningful portrait of an older individual. Medical science cannot help either because doctors find that chronological age is useless as an accurate predictor of an individual's physical capabilities or condition.³⁴ Yet 40 percent of

corporate respondents to the Louis Harris Laborforce 2000 survey shied away from employing older workers because of the physical demands of work, despite the fact that relatively few jobs today require the ability to perform hard physical labor.³⁶ Of course, jobs do exist where speed and stamina are important—for example, in some areas of the automotive and construction industries. However, even in those cases it is not always correct to assume; some employers have found on closer inspection that the judgment and caution that experienced older workers bring greatly offset their slower speed.

In the Louis Harris survey, 25 percent of managers invoked the mental demands of work as a reason for giving older applicants a wide berth.³⁶ On this point, science is clear: even more than the concern over physical ability, worry about an older person's cognitive and related abilities is grossly misplaced. As early as the 1950s, scientists studied healthy elderly people who lived independently and concluded that "psychological flexibility, resourcefulness, and optimism characterized the group rather than the stereotype of rigidity. Many of the manifestations heretofore attributed to aging *per se* clearly reflected mental illness, personality factors, and social-cultural effects." To those who preached that a certain deterioration in mental faculties was inevitable, science retorted—and has since repeated—that there is no confirmation of the "previous belief that cerebral blood flow and oxygen consumption necessarily decrease as a result of chronological aging."³⁷ The intervening years have brought more supporting evidence to light, including an analysis of brain activity that showed that healthy people in their 80s display activity levels comparable to people in their 20s.³⁸

This is not to suggest that scientists claim that people are physically and psychologically the same at age 50, 65, or 82 as they are at age 20. Age clearly leaves its mark on appearance, physical strength, speed of reflexes, and brain function, but it does so to a far lesser extent than assumed. The losses are often compensated for by gains in other areas. The results of recent laboratory tests, for example, show that cognition seems to decline slightly with age. But the degree to which this happens will not affect the performance of most workers until age 70 or older.³⁹ Moreover, the brain can compensate for physical deterioration, and it can learn and remember—if perhaps at a different pace and using different techniques—as well as it could at an earlier age.⁴⁰

People do not change fundamentally as the years go by; they become more of who they are. Therefore, if the spectrum of person-

ality, abilities, and health is broad in a given group of young people, it will broaden even more as they age. This assumes that no illness has felled or radically transformed the person in question—in which case, that person is not likely to be the one filing a job application, asking for retraining, or angling for part-time employment instead of full retirement.

A Self-Selected Group

This relates to an important point: older and elderly workers represent a self-selected group within the larger category of older and elderly Americans. It is perhaps not surprising, then, to discover that older and elderly workers consistently get high marks in studies that compare their rates of attendance and turnover, as well as diligence, reliability, and thoroughness of work, with those of younger workers. Even in jobs that may demand physical stamina and quick reflexes, age in itself does not influence performance. This was confirmed in a study of police, firefighters, and corrections officers by the Center for Applied Behavioral Research at Pennsylvania State University. The study concluded that public safety was in no way jeopardized when older people performed these jobs.⁴¹

Another study confirms that age is a poor indicator of physical and mental ability. The study also shows that older workers have a lower turnover rate than younger ones; that they learn as well as workers of other ages, as long as they are not placed under undue stress; and that retaining older workers and updating their skills prove one-third less expensive than hiring new graduates who have been schooled in the latest technologies.⁴² Higher wages and health care costs are more than offset by older workers' performance and their tendency to stay on the job longer, a contention that has been amply proved by the experience of Grumman Aerospace Corporation. When the economic constraints of the mid 1970s forced the company to lay off 13,000 workers, management decided whom to dismiss on the basis of each individual's performance regardless of age. After the layoffs, the average age of the firm's labor force had risen from 37 to 45.⁴³ By 1980, Grumman's age-blind policy had created an effective workforce in which 83 percent of its officials and managers, 70 percent of its professional employees, and 66 percent of its technical staff were age 40 or older.⁴⁴ Grumman and other companies that have learned to value their older employees are keenly aware that investing in a 50-year-old worker can yield performance and quality dividends for as long as another 15 to 20 years.

BLACK-AND-WHITE POLICIES TOWARD GRAYING WORKERS

Shedding Older Workers

As noted above, the same managers who report in studies and polls good experiences with older workers admit they do not make any effort to retain, retrain, or hire them. Most of the 1,000 human resource managers who responded to a 1992 survey by AARP and the Society for Human Resource Management praised older workers for their job skills, low absenteeism, high motivation, mentoring abilities, and flexibility in scheduling. But 85 percent of the respondents said that they had no special practices to spur recruitment of older workers, and 66 percent believed that there was no reason to encourage older workers to stay on the job.⁴⁵

It is possible that managers assessed older workers so positively in part to avoid any appearance of discrimination—especially because they were being surveyed by a group supporting the rights of older people. Other surveys have uncovered a more ambivalent assessment. In the Louis Harris Laborforce 2000 survey, managers considered older workers more reliable, more highly skilled, and more positive in their attitudes than younger ones, but they also believed that older employees were less suited for training and less flexible in accepting new assignments.⁴⁶ This is a common belief and can have a significant impact on older workers when economic conditions dictate downsizing. In this case, “ambivalent” equals “negative” because when a mistake can negatively affect management or the company, few managers will change approaches unless they are certain that the new policy will work. Despite a growing number of positive experiences, there still are more precedents for releasing than for retaining older workers.

The often unconscious bias that has produced the tug of war between fact and belief accounts for much of the difficulty and discrimination that older workers suffer as their companies seek ways to become more profitable and competitive. It also accounts for the gap between what companies say and what they do when dealing with older members of the workforce.

Layoffs

At the depth of the recession, when U.S. companies cut costs by closing down production units and excising costly layers of

middle management, workers 55 and older lost jobs at five times the rate of workers of other ages.⁴⁷ Older workers were concentrated in the traditional, mature industries hardest hit by the economic downturn, and these more mature employees were heavily represented in middle management, whose functions greatly eroded with the introduction of information technology. The trend toward downsizing has yet to play itself out (see Table 3-1). Even the most cursory glance at the financial press yields more examples daily.

The percentage of these cuts that will directly affect older workers is not known, but unemployment statistics indicate a disturbing trend. Keeping in mind that the figures exclude workers who have given up looking for jobs, the unemployment rate for people 50 and older was 4.1 percent in August 1991. By August 1992, it had jumped to 5.2 percent.⁴⁸ Equally telling is the finding that between 1969 and 1989, the percentage of 60-year-old workers in career jobs fell from 56 percent to 40 percent.⁴⁹ The trend is more pronounced among minorities, with unemployment among elderly black males consistently twice as high as that of elderly white males. Black women fare slightly better than black men on the employment front, but low wages and other factors combine to drag 60 percent of them—as opposed to 44 percent of black males—below the poverty line. Among the elderly, whites are the best off financially, but their mean income is barely over \$15,000, with Hispanics recording 58 percent of this amount and black Americans only 56 percent.⁵⁰

These trends have older Americans of all races and ethnic backgrounds feeling singled out, if not by managers then by fate, and they are worried, angry, and frightened that they will never work again. They are angry that life is so unfair to them while it appears to smile on the young; and they are worried that, had they not had gray hair, they might still be on the job. As vociferously as managers deny the stereotypical negative view of older workers, the evidence suggests that they may be holding on to this view as a way of making tough decisions easier to make.

Biased Performance Evaluations

When an entire unit is closed down and workers both young and old are laid off, crying discrimination is just that—crying. But when managers choose to retain some workers by retraining them for the new technology, relocating them, or offering them lateral transfers, then older workers are not being paranoid. Rather, they are basing perceptions of discrimination on precedent and fact.

TABLE 3-1

Expected Extent of Downsizing Over Next Five Years, by Percentage of Companies

Jobs Lost	% of Total Companies	\$100 Mill. and Under	Company Revenues		Number of Employees				Mfg.	Industry	Company Held		
			\$101 Mill. to \$500 Mill.	\$501 Mill. to \$1 Bill.	Over \$1 Bill.	1,000 or Under	1,001 to 10,000	Over 10,000			Financial Services	Other Services	Publicly
A lot of jobs	5%	2%	3%	2%	8%	3%	4%	8%	9%	7%	2%	40	3%
Some jobs	63	53	51	53	33	43	63	62	69	64	59	75	56
No jobs	28	40	38	37	15	52	27	8	23	25	33	21	33
Not sure	4	5	2	7	3	3	5	2	4	2	6	3	8

Source: P.H. Mirvis, ed., *Building the Competitive Workforce: Investing in Human Capital for Corporate Success* (New York: John Wiley & Sons, Inc., 1993), p. 85; copyright 1993 by John Wiley & Sons, Inc.; reprinted by permission.

Many managers' argument for laying off a particular worker depends on the evaluation of that worker's performance. Improperly done, performance evaluations can be a tricky and subjective means of measuring a person's value to the company. The father of the art of evaluating workers, Douglas McGregor, used to claim that the best performance evaluation was a piece of blank paper.⁵¹ On a clean surface, at least, there can be no risk that biases will unconsciously creep in, and the biases that can influence the evaluation of an older worker's performance are numerous. A study conducted by Gerald R. Ferris, Professor of Labor and Industrial Relations at the University of Illinois at Urbana-Champaign, highlighted the bias problem. Rating the work of employees in a bank in the Southwest as well as that of a sample of nurses and supervisors in the Midwest, Ferris found no significant difference between the work accomplished by older and younger workers. The only area in which workers differed was in the evaluations they received from their supervisors—who consistently rated older workers lower.⁵²

Did the erroneous ratings occur because of personality traits that had nothing to do with performance? Ferris thinks so. He believes that supervisors like younger workers "because they try harder to ingratiate themselves, whereas older workers are more confident about themselves and their work and less likely to try to curry favor."⁵³

Or could it be that age norms came into play? Just as society expects its members to reach certain prescribed stages at given ages, so does the workplace evolve its own set of expectations. This thought is the nucleus of Barbara Lawrence's theory, whereby "unarticulated and probably unconscious use of [age-related] timetables in evaluation, in conjunction with the appearance of age-graded norms in virtually all social systems, suggests that age norms may be basic assumptions within organizational cultures."⁵⁴ As noted above, this means organizations assume that workers should attain a certain level by a given age. According to Lawrence's theory, when the time comes to evaluate the identical performances of an older employee and a younger "fast-tracker" at the same level, the supervisor will be influenced by the organization's perception of where both should be at their respective ages. Typically, managers inflate the evaluations of younger employees and rate older people as less effective if their ages do not meet the norm for that position. The very expression "on a fast track" assumes a degree of failure for whoever is on a "slower track," regardless of the reasons.⁵⁵ More important,

the assumption of failure disregards the quality of the older worker's performance, substituting an informal, unstated age-based criterion.

A study cited in *Building the Competitive Workforce* also reported that supervisors consistently gave older workers more negative ratings than objective data supported.⁵⁶ Other studies found that biases were expressed in performance evaluations, feedback, and promotion decisions. Determining the precise nature of the ageism at work in these studies may prove impossible, but the similarity of the conclusions leaves no doubt as to the presence of subtle, unconscious age discrimination of which the perpetrators themselves may be unaware.

Even in cases when evaluation accurately reflects performance, it is misleading to conclude that older workers naturally reach a plateau or decline. When signs of plateauing or decline do occur, the nature of the job may be as much to blame as the capability and work ethic of the individual. Having observed that routine jobs inevitably foster routine workers and a falloff in performance with time, some employers have taken steps to transfer more responsibility to workers. Such a move may entail as much as restructuring an entire unit or department, so that many companies have only paid lip service to the notion of increasing worker satisfaction. Interestingly, the very positions with heavier responsibilities and little managerial attention to employee satisfaction are the types of jobs most often associated with large manufacturing companies engaged in mass production, whose human resource policies are typically conservative and unimaginative. These are the same firms, in fact, that are most likely to have a large component of older workers—30 percent or more—and that face the most severe cost and productivity problems.⁵⁷

Early Retirement Incentive Plans

Given the average age of the labor force in firms with the greatest need to downsize and the age bias that surfaces in evaluations and expectations, it is not surprising that luring older workers into retirement has become a popular way to trim operations and turn a lumbering, costly company into a sleek, mean, money-making machine. Or so management hopes as it formulates the latest round of early retirement incentive plans (ERIPs)—a form of "golden handshake" for the rank and file. These typically add a sweetener to a worker's pension, perhaps a salary bonus or lifetime health or other benefits, to reward early retirement. Although by definition ERIPs

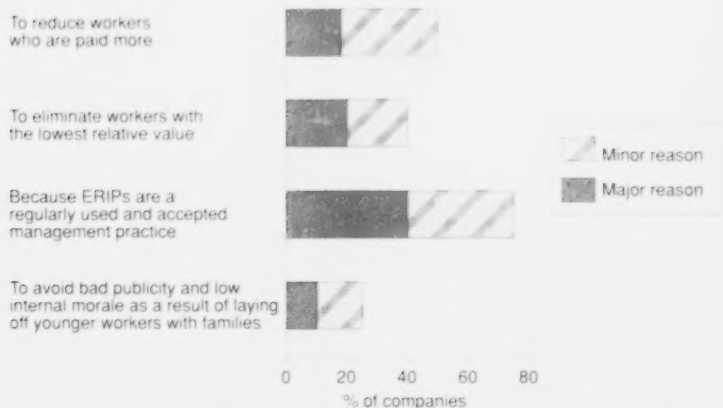
target older workers, few human resource managers and employers say that they use ERIPs as a tool to eliminate the most costly or least productive workers and managers on their payrolls. Rather, a large proportion of managers say they opt for ERIPs because others are doing it (see Figure 3-2).

ERIPs have become the "conventional, predictable, and safe way to cut the size of a workforce in a short time."⁵⁸ Increasingly, however, human resource managers are finding that ERIPs no longer make good business sense. But such managers, even though growing in number, remain a minority.⁵⁹ Many continue to think of ERIPs as a magic wand that enables them to shrink labor while avoiding the unpleasantness of mass layoffs or litigation.

For a minority of older workers, ERIPs are a tool of empowerment giving older workers a tidy sum of capital and assured benefits that translate into an effective safety net when they strike out on their own. But for most older workers, ERIPs lead to the scaffold. At age 50 and older, Americans can expect to remain unemployed for months

FIGURE 3-2

Why Companies Offer Older Workers Early Retirement



Source: PH. Mirvis, ed., *Building the Competitive Workforce: Investing in Human Capital for Corporate Success* (New York: John Wiley & Sons, Inc., 1993), p. 173; copyright 1993 by John Wiley & Sons, Inc.; reprinted by permission.

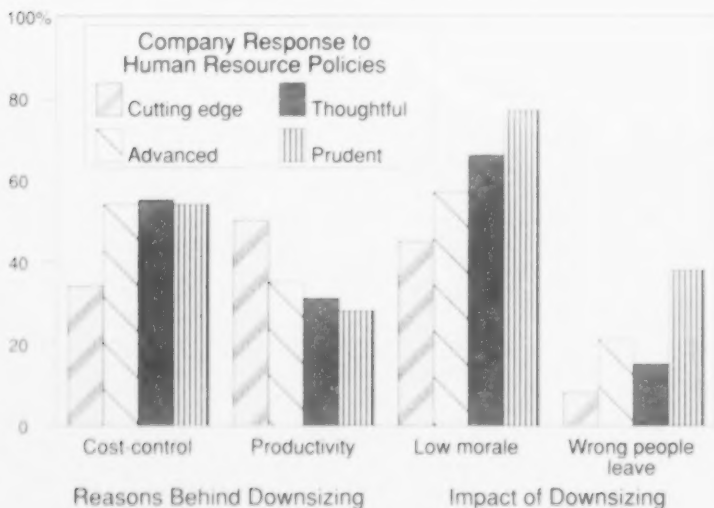
and even years; if and when they get a job, they can expect to be underpaid or underemployed. Yet when presented with an ERIP, they feel they have no alternative because the unstated—and sometimes not so unstated—choice is between accepting early retirement or finding a pink slip on their desk a few months down the road. Indeed, employers have at times offered such heavy incentives that the courts now carefully study the “degree of inducement placed upon a candidate for retirement” to determine “when that inducement rises to the level of ‘involuntary’ retirement”—illegal discrimination on the basis of age.⁶¹

When ERIPs are part of a comprehensive, goal-oriented strategy, they can be a useful tool. But ERIPs employed in the service of a reactive, short-term policy aimed primarily at cost cutting for its own sake can be harmful to the company and especially its older employees. In such cases, little thought is given to measures that would bring about real long-term efficiency: studying what services or products may need to be cut; forming strategic business units that would improve quality, speed up production, and deliver goods and services more effectively; empowering work teams for a higher performance work system; or replacing traditional, vertical hierarchies with the flatter, more decentralized organization.

Negative Side Effects

Downsizing through ERIPs and layoffs of older, more expensive workers without a concomitant restructuring has ended up costing firms both in outlay of money and in competitiveness. These companies were more likely to hire temporary workers or consultants, to increase overtime, and to lose their most qualified and valued employees.⁶¹ Less than one-half of the 1,005 companies surveyed by *Fortune* met cost-reduction targets, in spite of much “blood-letting.”⁶² IBM recently took a \$2 billion hit against its earnings in unanticipated severance pay, and Eastman Kodak had to refill 2,000 of the 8,300 jobs that were unexpectedly vacated after an ERIP offer. A Philadelphia consulting firm told *Business Week* that two-thirds of the companies offering ERIPs in recent years unintentionally lost “particularly valuable” employees.⁶³ The moral of the story is that there is no good way to control the number and quality of those who head for the exit.

Figure 3-3 highlights another, more insidious and difficult problem engendered by downsizing—low morale. Even companies with cutting-edge human resource policies have reported this nega-

FIGURE 3-3**Corporate Downsizing and Human Resource Philosophy**

Source: Mirvis, *Building the Competitive Workforce*, p. 83, copyright 1993 by John Wiley & Sons, Inc. reprinted by permission.

tive side effect, though far less than companies with traditional approaches to human resource management. Workers approaching the "early retirement zone," as well as younger workers, feel vulnerable. In most cases, employees believe that decisionmakers will opt for "washing out the gray,"¹⁴ and the one thing about which they are all certain is that they will, in time, turn gray. In industries that prize the enthusiasm, energy, aggressiveness, and optimism that the American culture associates with youth, ripples from mismanaged downsizing have spread to every corner of the organization. Examples are not confined to traditional smokestack industries. A former creative director in advertising at J. Walter Thompson and DMB&B lamented the effects of that industry's "insane love affair with youth." By firing everyone 50 years old, he said, advertising agencies are left without the discipline imposed by seasoned professionals and without training programs for the newcomers.

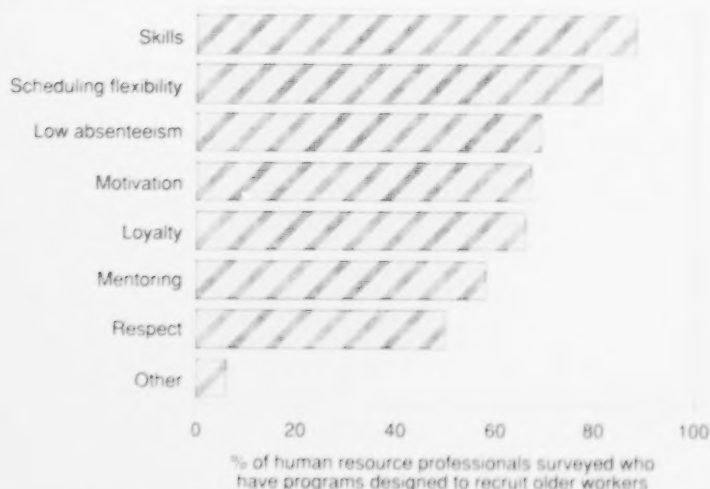
As industries that refuse to grow up pluck out older employees and as companies in other fields latch on to ERIPs as a panacea, the number of disillusioned, unmotivated, and cynical workers increases. The damage is not confined to suddenly unemployed older Americans who subsequently suffer higher incidents of substance abuse, family conflict, and suicide along with a decline in health.⁶⁵ It also affects the workers of tomorrow. Dorothea Braginsky of Fairfield University in Connecticut concludes from her own research and that of others that the rash of downsizing has already had an impact on the work ethic of the children of terminated workers. "It's not just a tremendous social loss to the man or woman losing his or her job," she says, "but it has a trickle-down effect on their kids. It changes their whole attitude toward work and the company they work for. The message is, 'Everything depends on the bottom line.' So there are no values to depend upon."⁶⁶

This means that the employer can count on little if any loyalty after having shifted so much of the current economic uncertainty to the workers. Employees have little reason to care about the company's long-term health since the connection between the firm's prognosis and their own well-being has been effectively severed. Labor surpluses will not last forever, a fact leading an editorial in *The Economist* to predict that "the fiercest competition between firms [in the near future] may not be for customers, but for the hearts and minds of employees."⁶⁷

Employing Older Workers

It follows, therefore, that employers who have implemented forward-looking human resource policies will have a head start in the competition for loyal employees. But these firms do not have to wait for future benefits. Companies that retain older workers have already gained materially. Although they constituted a minority, 139 out of the 1,000 human resource managers that AARP surveyed had programs to recruit or retain older workers and said that their firms had benefited from the skills, flexibility, low absenteeism, and motivation of older workers as well as from their ability to serve as mentors to younger colleagues (see Figure 3-4).

As noted earlier, a consensus seems to exist concerning the strengths of older workers. However, these employees still encounter situations daily in which age discrimination rather than performance determines their future. Perception and policy seem to match up all too rarely, a phenomenon linked in this discussion to the

FIGURE 3-4**Benefits of Recruiting Older Workers**

Source: AARP survey, "The Older Workforce: Recruitment and Retention" (Washington, D.C.: AARP and Society for Human Resource Management, 1993).

ambivalence engendered by other negative shared perceptions by managers that makes them reluctant to make commitments to their older workers.

Without management support, corporations will not be inclined to mount programs geared to the needs of older workers, and it is unlikely that such support will be forthcoming if management does not believe that these workers can contribute. When the Commonwealth Fund compared management's attitudes and actions, it found a high correlation between management support and the percentage of companies having in-place programs, such as retraining and job redesign, that focus on the needs of older workers (see Table 3-2).

Nevertheless, managerial ambivalence is highly evident in the across-the-board lag between expressed support and the actual establishment of programs. The Commonwealth Fund study supports the view that beneath all the talk most managers believe that "employing older workers [is] simply too costly."⁶⁸ Significantly, this

TABLE 3-2
Management Support vs. Programs in Place

Policy	Percent of Management Support*	Percent of In-Place Programs**
Formal assessment to identify training needs	76	38
Training and development for senior employees	58	29
Job redesign	46	20
Creation of new roles for senior employees (as mentors, consultants, entrepreneurs)	37	13
Organizational incentives for older workers who keep skills current (promotion, incentives, skill-based pay)	36	12

* Percentage of moderate to high management support for policy.

** Percentage of organizations having a program in place.

Source: T.W. Moloney and B. Paul, "Enabling Older Americans to Work," 1989 Annual Report of the Commonwealth Fund (New York, 1989).

belief has not grown out of experience. In fact, less than 11 percent of the major organizations even tried to evaluate the costs and benefits associated with training older workers.¹⁰² Further, few respondents to the Louis Harris Laborforce 2000 survey spoke about the cost of older workers—only 16 percent cited high training costs as a reason not to retain or hire older workers.

Training

Older Americans routinely run up against barriers erected by management's unjustified assumptions, particularly when it comes to competing with younger people for training. They work in a culture that prizes workers who have maintained and improved their skills, yet they are refused the opportunity because management typecasts them as an unwise investment of educational funds. If given retraining options, older workers may be thrust back into formal classroom situations, where they often feel uncomfortable and inadequate. Should they fail to learn quickly under these conditions, older workers may correctly feel that they are thereby helping to create a vicious circle—that is, by not excelling, they help perpetu-

ate the myth that gray hairs on the head mean a lack of gray cells inside, which in turn makes management wary of investing in their training. This further erodes self-confidence and the willingness to accept new challenges. It is easy to see why older Americans find themselves combating the unvoiced assumption of some supervisors that by virtue of age alone, they are disinterested and would rather coast until retirement.

To claim that this is never true, that all older workers are eager to improve themselves, would be equally ridiculous. In the absence of any accurate generalizations, then, it is far better to let the people involved speak for themselves—and they have. Several surveys reveal that millions of older Americans would welcome training either to improve employment opportunities or to hone skills.⁷⁰ Employers who offer training confirm that older workers are indeed interested in learning; thus, researchers in the field conclude that the stereotype about older workers' suitability for training says more about managers' calculations of immediate return on investment than about the workers themselves.⁷¹

Past failures have reinforced negative stereotypes that undergird employers' reluctance to train older workers. A case in point is the 1973-78 government project to retrain 2,500 air traffic controllers, whose average age was 45. The program cost over \$100 million and yielded a paltry 7 percent rate of success, as defined by the number of controllers who found second careers. The air traffic controllers responded poorly not because they were too old to learn, but rather because the classes were "geared to youngsters in their twenties, not to 40-year-old males with 20-year career histories."⁷² When companies tailor programs to the age, knowledge, and experience of older workers, training proves just as effective as and no more expensive than it does for younger workers.

This is not news to companies such as General Electric (GE), whose Aerospace Electronic Systems Department in Utica, New York, set up a program in 1977 to usher design engineers from the world of analog technology into that of digital technology. Dubbed "a technical renewal program," the training sessions successfully updated the skills and knowledge of older engineers, whose average age was over 40.⁷³ The Russell Corporation, a large apparel company with a strong commitment to worker education, also discovered that small accommodations can produce large results. Russell uses computer-based learning, but according to Becky Dunn, Manager of Educational Services at Russell's Alex City, Alabama, plant, older

workers do well in classroom situations if the instruction is done on-site by qualified specialists in adult education.⁷⁴

The more recent and ongoing experience of the Days Inn hotel chain also explodes many myths about age. Unlike GE, Days Inn was not building on specific skills or knowledge. As part of an effort to staff its national reservations system in Atlanta, Georgia, the firm was teaching computer-illiterate older workers how to operate a sophisticated automated system. At first, employees 55 and older required three more weeks of training than younger colleagues, costing the company a full 50 percent more. Had the firm left it at that, the Days Inn experiment would have served only to fuel prejudices about the capabilities of older workers.

But the firm did not leave it at that. Trainers analyzed the needs and backgrounds of their students and adapted their sessions accordingly. In the end, older workers unfamiliar with computers needed only half a day of familiarization with the technology, after which they learned the company's complex system as easily as trainees of other ages and backgrounds.⁷⁵ More relevant to the bottom line, training older employees cost no more than training younger ones. On the contrary, it cost less, for the expense was amortized over a period of employment that was on average three times longer for the older workers than for the younger ones.⁷⁶

These case studies are not merely happy exceptions. Motorola and 3M, among others, have linked learning to its practical application through the creation of work tasks.⁷⁷ Most recently, the Russell Corporation has introduced a self-paced curriculum for workers of all ages. With 11 personal computers housed in a trailer, one teacher assists workers in shifts to learn the software that best suits their needs. "The older workers were fearful at first," Dunn recalled, "but we met with them on shift and explained that this was an opportunity for them to enhance their skills." Again, a modicum of adjustment and consideration brought these older workers fully on board. The result is a program that is exceeding even Dunn's high expectations.⁷⁸

If any question remains about just how crucial it is for American business to understand what models work best with older Americans, the following statistics should put the doubt to rest. According to one estimate, more than 50 million workers will need to upgrade their skills to perform tomorrow's jobs. Of the companies surveyed for the Louis Harris Laborforce 2000 study, 83 percent expect to expand training programs in the 1990s.⁷⁹ When choosing training methods, companies should remember that a large number

of workers who need their skills updated will be 50 and over, a category that will grow as the baby boomers enter their golden years. By upgrading their skills, these older workers not only will be better able to learn the task at hand, but they will also become even more likely than younger workers to prove flexible, reliable, and able to perform multiple tasks—in part because many will be building on a better educational base.

Hiring

Given all that is known about the potential benefits of hiring older workers, employers should be combing unemployment lines in search of gray hair. But this is obviously not the case. In fact, if there is a single instance in which ageism in all its forms kicks in, it is when the older American asks for a job. If the job requires training, the older applicant rarely makes it to the interview stage. Older workers typically suffer longer periods of joblessness than younger workers. The Current Population Survey undertaken by the Bureau of the Census studied the fate of workers dislocated by a plant closing and reported that 25 percent of workers aged 50 to 59 never found another job and that those who succeeded usually had to accept lower wages. If older workers were forced to change industries, they tended to move into jobs where shorter-duration employment was the norm.⁸⁰ By contrast, the unemployment figure for younger workers was about 16 percent, and those who found jobs were paid more.⁸¹ It is no wonder that many older workers give up trying, preferring the hardship of unemployment to the humiliation of constant rejection.

The fate of older workers is all the more tragic because the extra difficulties they face in finding employment rarely arise from an honest reading of their experience, qualifications, and desired compensation. As discussed here, prospective employers often inject their own beliefs and assumptions about older workers into the application process. Yet an objective evaluation is not always as simple as it sounds—it must take into account that ineffable quality that can develop only over time—maturity. Daniel Knowles, former Director of Personnel at Grumman, described the validity of this as early as the late 1970s. "A 40-year-old worker is mature and realistic, and will stick to a task," he told a researcher. "You need three career development analysts to steady a youngster just out of school."⁸² He believes that, all else being equal, a firm is better off hiring applicants

45 years old than those 25 years old because more mature workers "know who they are, what they can expect in their career."⁸³

Maturity and experience are the unquantifiables that make it nearly impossible to calculate the relative productivity of an older worker simply by measuring raw output over a given time period. Depending on the industry, incidence of error, quality of end product, and downtime because of accidents or absenteeism may greatly influence the value to the company of a given worker. These are all areas in which older workers tend to shine. On average, they record lower accident rates, exhibit better judgment, and make fewer errors than their younger colleagues.⁸⁴

In most cases, these advantages more than offset the extra time that older workers may require to complete a task. This certainly was the case at the Days Inn reservation center, where workers 55 and older averaged about 4 percent more time per phone call. As a result, they trailed younger colleagues in the number of calls processed per day. However, these older workers boasted booking rates that were 5 percent higher, a percentage that translated directly into earnings for the company.⁸⁵ In the absence of further study, it is impossible to conclude whether the added time older workers spent with customers added value to their work. For instance, did the personal touch increase the likelihood that customers would use Days Inn again? Did it then generate new business through positive word-of-mouth publicity?⁸⁶

More readily quantifiable are the assets that many older workers bring to a new job in the form of time-tested, experience-honed skills. According to Sally Kera, who coordinates senior job programs for the Jewish Council for the Aging of Greater Washington, this asset is especially valuable in times of economic downturn. She adds that employers who participate in job fairs she organizes are generally surprised at the impressive backgrounds and advanced skills of the applicants.⁸⁷ This is one reason behind the consistent success that employment agencies have had in placing older workers.

James E. Challenger, President of Challenger, Gray & Christman, in analyzing his success in placing older workers has concluded that this trend will only strengthen as the workplace increasingly demands unprecedented versatility and quality from its workers. For some industries, the race has already begun to find new ways to slash costs and shrink manufacturing cycles.

The kind of reorganization and streamlining with which more and more firms will meet fierce competition and contain costs will, in many cases, require workers to handle two or more different tasks.

This trend plays to the strengths of older workers. Challenger contends that workers aged 50 and older "often have work experience which is likely to include the knowledge of how to perform more than one job. The employer gains the advantage of hiring someone who can provide 'value added' performance as well as fitting into the new demand for versatility." He concludes, "Increasing numbers of employers are finding that the experienced worker is a strong resource in the area of quality."⁸⁸ This has already begun to occur as companies report growing difficulty in recruiting qualified, skilled workers among younger generations of graduates. In one survey, three out of every four companies said that as a result they are starting to think about hiring older workers.⁸⁹

Costs vs. Benefits of Hiring Older Workers

What holds many employers back, however, is cost. Managers generally agree that older workers are more likely than younger ones to bring "quality" to the job, but they are not necessarily willing to pay for it in higher wages, pension benefits, and health care costs. There are times, to be sure, that it is not worth buying the experience of an older worker. If a job really requires 2 years of experience, then it makes little sense to pay for 25.⁹⁰ There can be such a thing as being "overqualified." Martin Sicker would argue, however, that older workers should not be dismissed out of hand as more expensive. This often happens because employers do not believe older workers when they say they will take jobs paying less than they previously earned. Or employers worry about health care coverage without checking to see if the applicant, a retiree, already has insurance.

Many corporate managers are taking a closer look at older workers' performance. As positive examples of older new hires appear in the business news, attitudes may be changing. The first to gain visibility were older workers in some service industries. Reflecting perhaps a mixture of fact and fiction—insofar as positive stereotypes concerning age can be fictitious as well as negative ones—customers tend to react more favorably to a mature salesperson or bank teller. This is especially true of older customers, perhaps because they have fewer occasions to socialize outside the home and therefore value the social contact that can accompany everyday errands.

For those who have long since found their place in the workforce, the issue of the relative cost of retaining older employees

versus replacing them with younger ones continues to be tricky at best. As with America's attitudes toward aging in general, perceptions differ regarding relative costs and benefits. The predominant theme in an era of downsizing is that by virtue of long years of service, older workers are in senior positions or at least command higher wages because of seniority. As the organization of work changes, middle managers are seen as superfluous. In other cases, as discussed, it is less expensive to retire them than to keep them on. One promising approach to the cost-benefit dilemma is the move toward linking pay solely to performance, disregarding seniority. Although to older workers such an appraisal may violate the long-standing contract that equates seniority with cash, an objective system could work in their favor, underscoring their productivity and value.

Another tactic companies use attempts to neutralize the age effect in pensions by changing from expensive, defined benefit plans—the traditional pension plan—to defined contribution plans that put the burden of retirement planning more squarely on employees. If, however, management does not objectively measure the value of older workers to the company, in the short term this shift could give them an incentive to have older workers retire as quickly as possible to minimize lifetime pension costs. Like so many policies affecting this group, such an approach would be shortsighted and not necessarily cost effective. Senior management is often too prone to recite, "Costs come on two legs." But it ignores the fact that, beyond the next statement of quarterly earnings, value also comes on two legs. In a machine-led productivity recovery, human capital is too often forgotten. So, older workers would quickly add, are their solid contributions to the bottom line.

It is precisely those contributions that need to be seriously considered when judging the cost of an older worker—or any worker. Perhaps the indecision on this point will be resolved as more companies take advantage of the experience and education of older employees. One bank reported to the Mature Temps Agency that the older people it had hired through the agency actually lowered the bank's cost because of their greater productivity.⁹¹ The well-documented study of Days Inn yielded the same conclusion. Based on data collected over a five-year period, researchers built models of two reservation centers, one staffed entirely with younger workers, the other with their seniors. In terms of operating costs, the first center won hands down. Because of high turnover, younger workers seldom accumulated seniority, so their wages were slightly lower on

average. Because older workers spent a longer time on the telephone, telecommunication costs were higher, and the center had to add staff to guarantee that it could process the same number of calls per day as the younger center. This entailed purchasing additional equipment and expanding the supervisory staff. Despite these added costs, the two centers cost Days Inn essentially the same because older workers logged more bookings and their low turnover allowed the company to spread training costs over a longer period. Significantly, health care costs for the older workers were no higher than those for the younger employees.⁹²

Although the authors of the Days Inn study were careful to limit conclusions to the specific job of reservation agents in the specific market of Atlanta, Georgia, they nevertheless argued that the lessons of Days Inn have a wider applicability. As they noted: "The reservations agent job has attributes usually considered favorable to younger, not older, workers, and it is fairly typical of many jobs in the growing service sector. Also, we know of no reason why the Atlanta labor market differs greatly from labor markets in other reasonably prosperous metropolitan areas."⁹³

Health Care Costs: Misplaced Concern?

In the Days Inn study, health care costs did not vary significantly between younger and older age groups, as might be expected in the case of new hires. Many companies worry about this issue, however, and believe that health care costs will affect their ability to compete.⁹⁴ In the early 1990s, rising health care costs caused many companies to shift more of the burden of health coverage to employees, a trend that in turn sparked its share of strikes and employee discontent.⁹⁵ Even in industries with histories of peaceful labor-management negotiations, the issue of health care has become the focus of a heated, often divisive debate in which older workers have unjustifiably taken the blame. A primary concern is the fact that the discussion has been based primarily on an outdated image of the sickly, frail older person. Management has uniformly presumed that, regardless of individual medical histories, older employees require more visits to the doctor, more medication, and longer hospitalizations than younger employees.

It is true that the risk of cancer, heart disease, and some chronic illnesses increases with age, but this actuarial fact does not necessarily boost the cost of health care to the employer relative to the health costs of younger workers. Indeed, how accurately can actuarial

tables for an entire age group reflect the medical conditions of older working Americans, who are a self-selected group of individuals shown to be healthier than their peers? Again, any analysis of health care costs must be accompanied by a study of what, if any, factors might offset them. Older employees are known to have a lower rate of absenteeism, for example. It would be interesting to know the degree to which the lower rate typically compensates for the extra sick leave they may incur relative to younger workers. In the same vein, older employees' health costs may be offset by Medicare benefits. Or they may be among the 72 percent who, in a Commonwealth Fund study, stated that they considered employer-provided insurance unimportant.³⁰ Or some older employees may indeed want medical coverage, but only for themselves, as opposed to younger co-workers who may need family coverage.

Some of these considerations may well be made obsolete by the proposed new national health care plan that would provide more coverage at employers' expense. As it stands, the plan would also require employers to pay for a portion of health coverage for part-time employees working more than 10 hours per week. This facet of the plan, should it survive the legislative process, would inevitably raise general costs for employers and possibly have a negative impact on employment prospects for older Americans, including the increasing numbers seeking part-time work. Already the debate is raging, and until it is resolved, employers—even large ones, such as General Motors (GM) and Ford—cannot reasonably calculate the cost of health care coverage. Meanwhile, companies concerned about the implications of an older workforce can be informed by the experience of employers who have adopted a more particularized approach to the question. These firms factored in health care as one of many cost variables, zeroed in on the particular needs of individual employees, and made the adjustments necessary to ensure that work conditions allowed those with physical problems or medical conditions to continue to perform effectively.

Employers cannot always tailor a job to the limitations imposed by arthritis, cardiovascular disease, or other chronic conditions whose likelihood increases with age. But when employers can make accommodations, workers need not take as much sick leave and can therefore compensate for higher health costs by turning in the quality performance often associated with mature, experienced workers. When employers refuse to focus on the individual, employees may find themselves incapacitated and ultimately discarded because of

conditions that could have easily been corrected. In the end, both employee and employer lose.

LEGAL PROTECTION AND RECOURSE

Looking at the individual is precisely what the law requires of employers. Since the 1935 Wagner Act, the legal system has delineated ever more precise protections for workers against unfair employment practices. In the case of age, legal protections were advocated as early as the 1950s, though it was not until a 1965 report by the Secretary of Labor stated the problem that government took action. Congress directed the Secretary of Labor to submit specific legislative proposals, and upon receipt of the draft bill President Johnson brought the issue into the limelight with his 1967 Older Americans Message. That same year, legislators enacted the Age Discrimination in Employment Act (ADEA), offering legal protection against age discrimination to employees 40 to 65 years old who work in the private sector.

The act has since been expanded and amended and was later complemented by the Older Workers Benefit Protection Act of 1990 to provide the legal framework for class action and private suits, which have benefited thousands of unfairly treated older Americans. More than 20 years later, many of the 1965 findings that gave rise to these laws continue to hold true. Among the findings is the observation that age discrimination is based on stereotypes, unsupported by objective fact and often defended on grounds different from its actual causes. New empirical data have also bolstered the report's contention that arbitrary age limits are generally unfounded and that, overall, the performance of older workers is at least as good as that of younger workers.⁴⁷

The great difference between then and now is the availability of legal recourse because the ADEA specifically prohibits the refusal to hire, retrain, or transfer. The act also specifically prohibits employee discharge, involuntary retirement, and unfair treatment on the basis of age in other areas of employment. It also bans want ads that indicate a preference for younger workers or a prejudice against older workers. However, the interdictions are not as straightforward as they seem, nor indeed can they be. As Joseph E. Kalet rightly observed in his study of age discrimination laws, "The grayest, and thereby the most troublesome, area of employment discrimination involves employment decisions based on an individual's age. From hiring to training, to promotion, to involuntary retirement, employ-

ers are making decisions that affect individuals' lives based on a characteristic they involuntarily assume: age."⁹⁸

Legal interdictions notwithstanding, reputable publications still occasionally carry classified ads that indirectly specify the preferred age of applicants,⁹⁹ and older Americans report continued widespread discrimination. Complaints that age caused a worker to be laid off, forced into early retirement, or refused employment pour into the offices of the AARP Worker Equity Advocacy at the rate of 50 to 60 per week.¹⁰⁰ Similar complaints flood the Equal Employment Opportunity Commission (EEOC). In 1991, the number totaled 17,449; in the year ending June 1992, it had jumped to 30,444.¹⁰¹ However, these numbers do not represent the entire picture because cases are routinely settled out of court, and the EEOC sees only a fraction of complaints filed around the country.

The numbers speak in other ways as well. Of the more than 30,000 complaints registered with the EEOC from 1991 to 1992, less than 12 percent led to further action and only a minute percentage—83 complaints—resulted in lawsuits. This illustrates the difficulties presented by both the sheer volume of age discrimination cases and their complexity. Was the firing of a 55-year-old engineer rooted in a legally recognized "reasonable factor other than age"? Does the hiring of an applicant age 25 over another age 40 with similar qualifications reflect the younger applicant's "bona fide occupational qualification"? When does the cost of an employee constitute a "reasonable factor other than age" and when is it a disguise for age discrimination?

In an age of massive downsizing and economic upheaval, the task of sifting discrimination from legitimate economic decisions is difficult.¹⁰² As one lawyer in Los Angeles who handles discrimination cases acknowledges, there is "a concerted effort to get rid of older people. What I don't see is the evidence to prove it."¹⁰³ Moreover, each case presents its own set of challenges. In occupations that affect public safety, such as airline pilots, the courts must wade through medical and scientific evidence to determine whether a worker 60 years old is less "safe" than someone 35 years old. In many cases of early retirement, the plaintiff has previously signed a waiver agreeing to forgo any charges as a condition of accepting a lucrative retirement package. Should the employee later file charges, the court's task is complicated by the need to examine the legality of the waiver.

In most cases, the onus on the courts pales by comparison with the stress an age discrimination suit places on the plaintiff. One

successful veteran called her legal battle "an intense emotional roller coaster." The stakes were high—if she lost, she would be marked as a loser; if she won, she would be branded a troublemaker. Like many such legal battles with deep-pocketed companies, hers dragged on for years and meant placing her 15-year career on the line.¹⁰⁴ It is no wonder that many older workers think twice before pursuing a grievance. In addition to the time investment and the stress, lawyers' fees can be prohibitive unless the EEOC takes on the case.

OLDER WORKERS IN THE WORKPLACE OF THE FUTURE

By giving aggrieved workers legal recourse and compensation, age discrimination laws have done more than protect the rights of older workers. Insofar as the laws sharpen the awareness of employers and force them to look at the facts, the stipulations promote sound business. Sometimes this objectivity will directly benefit older workers; on other occasions it will result in jobs lost among their ranks. In either case, if the decision is rooted in an objective assessment of the company's needs and the particular strengths and weaknesses of a given employee, it is likely to be just.

The way economic trends are shaping up, older workers will probably experience more suffering before they experience real gains. The first baby boomers are nearing the 50-year mark, and a greater swell of younger men and women are right behind them. This affluent, well-educated generation was raised to expect steady upward mobility. They clamor for room to be made at the top—or at least in the middle as a temporary way station. But where are the jobs? At the same time, top management will keep up its call to cut costs, meaning people, so that companies can show shareholders they are profitable and competitive. Human resource managers focus on the graying older employees who occupy the career high ground because their ranks have swelled over the good years. In one likely scenario, managers instinctively react to pressure by shedding their older employees, and ERIPs climb back to popularity after a dip in the late 1990s.

In many ways, Americans 45 and older today will bear the brunt of adjusting to new sets of rights and responsibilities that characterize the emerging workplace. As workers, they came of age at a time when employees could expect to climb steadily and spend the majority of their careers with one employer or industry. More important, each shared an understanding with the employer about

personal rights and obligations—their psychological contract. Perhaps the most difficult aspect of today's economic climate for the older worker to digest is the dissolution of this long-standing contract between employer and employee. Having paid dues in low pay, long hours, and loyalty, a worker 55 years old now steps up to claim a just reward only to find a pink slip on the familiar desk. Is it any wonder that bitterness, cynicism, and disillusionment are the hallmark of terminated workers? Is it surprising that their daughters and sons enter the workplace with more wariness?

This is not to say that older workers neither want to be nor are capable of becoming empowered. On the contrary, many display the willingness, motivation, and energy necessary to participate in the more challenging and ultimately more fulfilling contract between employer and employee that is developing. Moreover, opportunities to participate in such contract making will mushroom in the emergent workplace of tomorrow.

Employment Options and Older Worker Programs

Only an incorrigible Pollyanna would believe that all older Americans will be able to avail themselves of the new employment opportunities. For many, opportunities in the new workplace are ripening at a bad time, when the current labor surplus pitches them into head-on competition with younger men and women and members of minority groups, to whose plight in the workplace employers have been sensitized. A crucial element in the competitiveness of older workers is the willingness of employers to live up to the new bargain. Having asked employees, and especially older employees, to sacrifice job security, employers must continually update the chief marketable asset of older workers—their skills. Their record with regard to older workers does not inspire confidence, but some developments suggest that employers are beginning to place a higher value on this seasoned group.

Even as the labor surplus takes its job toll, signs of a skill shortage are emerging. Many employers deplore the low level of skills among young applicants, and many anticipate difficulties in recruiting engineers, scientists, and highly skilled blue collar workers.¹⁰⁵ At the same time, the shift from production-oriented tasks to service-oriented jobs shows no signs of abating. Combined, these two trends give older workers an advantage over the competition. In many cases, older applicants already know the industry or company to which they are applying. Older workers more than compen-

sate for the lack of an up-to-date degree with years of accumulated knowledge and experience. In the service industry, older workers have a better record than other age groups in the ability to communicate effectively with customers.

Finally, the move toward less rigid work formats greatly increases opportunities for older workers who might want to lighten their load or need time to take care of an elderly parent. In this regard, the experiences of several forward-looking companies bode well for the future. These employers have incorporated options such as job sharing, part-time employment, flextime, telecommuting, demotion, sabbaticals, and team projects. Depending on the circumstances, any or all of these innovations can be used as a way of phasing in retirement for the many American workers who do not want to suddenly break with the past and give up their work lives.

One employer receiving well-deserved publicity for its innovative policies is The Travelers, a financial services company based in Connecticut. In the early 1970s, the company started to rehire its own retired employees on a part-time basis to staff a new customer service hot line. The program was an immediate success, satisfying retirees' desire and need for some form of employment and enabling the company to offer a new service without the disruption of shifting full-time personnel or the cost of training new hires unfamiliar with the company's operations.

A few years later, the company conducted a survey of older employees to gauge interest in an expanded rehire program. Fully 85 percent of the firm's full-time older employees responded positively to flexible hours and part-time work. It was management's turn to respond enthusiastically, which it did by establishing the Travelers' Retiree Job Bank. The job bank acted as a matchmaker for retirees who registered and for managers at Travelers who sent in requirements for part-time help.

The job bank concept took off. To keep up with demand, in 1985 the Travelers job bank opened its registry to retirees from other local insurance companies, and five years later the company established its own in-house agency, TravTemps, that broadened the pool of available temporary workers to include younger people.¹⁰⁶ Georgia-Pacific, a leading producer of paper and wood products, founded Georgia Temp, which proved so successful it became a full-fledged business, providing temporary workers to the company and other corporations.¹⁰⁷

"Temps" represent one leaf of the corporate organization scheme known as the "shamrock." They are contingency workers

called on to work when needed, providing corporations with skills ranging from clerical to engineering to management. Most observers consider their use to be part of a permanent change in the workplace, and statistics support this. Such noncore jobs have accounted for about 20 percent of the 18 million created since 1983. In the past few years, the number of people working for temporary agencies—about 1.6 million—has risen 240 percent as corporations continue to downsize. Moreover, in a November 1993 *Fortune* magazine poll, 44 percent of the CEOs surveyed said that they rely more on contingency workers now than they did five years ago, and the same percentage expected to employ more contingency workers five years hence. Only 13 percent said that they rely less on these workers today.¹⁰⁸

For older workers who have retired but want to work, this trend could be a boon. Their knowledge and experience, especially in jobs requiring specialized skills, should make them effective in team project work and thus highly desirable to corporations seeking the flexibility and lower labor costs that keep them competitive. For older workers fortunate enough to have a pension or social security income, the lower wages and lack of benefits will pose no great problem. They can remain involved at a lower level of commitment and enjoy the structure and collegiality that so many miss when they retire. But those who rely on the income to meet current needs and are among the estimated 6.4 million part-time workers (of any age) who need and want to work full time, may find the situation grim.¹⁰⁹ This is especially true for older workers, who may still be paying mortgages and college tuitions and who need steady, respectable incomes to build retirement credit with companies and social security. As one 58-year-old professional now on his own after 33 years with IBM put it: "My view of myself as economically secure is shattered. And the world is a scarier place."¹¹⁰ This is the flip side of those enthusiastic stories about corporate refugees who embrace the freedom and fulfillment of entrepreneurship.

Where will this trend lead? Opinion is divided. Some estimate, based on corporate plans to continue downsizing and use more contingency workers, that one-half of all American workers will be counted in this category by the year 2000. Others are doubtful, noting that U.S. government statistics usually lump together both part-timers and the self-employed—often doctors, lawyers, and other well-heeled professionals—and claim that the size of the contingent workforce has not gone up since 1983, except perhaps anecdotally.¹¹¹ It is impossible to create an accurate linear projection to the end of the decade, but it is nevertheless instructive to note that many

companies are finding that hiring contingency workers is not a panacea. On the downside, they cite high competition for skilled people, which drives up hiring, problems in integrating contingency workers into core work teams, and the discovery that these workers work best when given training and careful management—which, again, adds to their cost.

High turnover and having to work with a large number of agencies, not altruism, led Georgia-Pacific to create Georgia Temp, but CEO Pete Corell has said that he will hire only clerical staff as contingency workers. For skilled manufacturing jobs, he says, "we want workers that will buy into our dream, which is to be the highest-quality, most competitive forest products company in the world." In Corell's mind, that does not describe a contingency worker.¹¹² Corporations that cannot or will not now take the necessary steps to create a well-motivated, creative, empowered core workforce that includes older workers, or whose thinking is short term and tactical, will almost certainly fail to obtain the hoped for results from workers whose stake in the company is minimal, whether they are aged 20 or 50.

Although contingency workers will continue to have a place in corporate strategies, companies still need to take a long, hard look at how they can best use their more experienced workers. As Travelers and others have discovered, employment can take many guises—369, to be precise, according to a study of variations in flexible working arrangements by the Institute of Gerontology at the University of Michigan.¹¹³ In the 1970s, Maremont, a manufacturer of automotive components and ordnance parts for machine guns, established an arrangement called "down-placement" that had a 50-50 success rate. This arrangement is also called "demotion," or, more sensitively, "shifting to a lower involvement track." Essentially, it gives older employees the option of stepping down a rung or two on the corporate ladder as an alternative to termination or retirement. While the alternative proved successful in only half the cases, Maremont discovered in the process how it worked best. Its success was contingent on three conditions: mutual consent; time for the employee to explore the alternatives; and the possibility of transferring to another unit within the company.¹¹⁴

Considering the premium that American culture places on promotions, even a 50 percent success rate was promising enough to encourage others to try. By the time of the Louis Harris Laborforce 2000 survey, 35 percent of the companies said that they gave older workers the opportunity to transfer to jobs with reduced pay and

responsibility—a form of phased retirement. Another 27 percent offered older workers a variation on this theme—an alternate career path. By the mid 1990s, the proportion of firms offering phased retirement is expected to rise to 41 percent, and to 46 percent for those using alternate career paths.¹¹⁵

Lower down on the list of options are sabbatical leave programs, which were instituted by 14 percent of U.S. firms in the late 1980s. In addition, by the year 2000, an estimated 20 percent of companies will offer flexplace, whereby a worker need not even come into the office,¹¹⁶ and phased retirement, an option that companies are expected to make increasingly available.¹¹⁷

Many companies also offer outplacement help for terminated workers and preretirement counseling, but few as yet are responding adequately to the needs of older employees. Again, Travelers leads the way. Aware of the pressure that caregiving for elderly parents places on many older workers, the company has instituted a support group and informational program under the umbrella of the Employee Caregiving Initiative.

The benefits of adopting innovative policies toward older workers go beyond financial gain. "We believe that older workers have a very strong work ethic," Barbara Greenberg, a former Manager of Travelers' Older Americans Program, wrote, "and that they serve as positive role models for younger people within the organization. We believe that loyalty to our old workforce contributes to good morale among employees of all ages."¹¹⁸

Intergenerational Conflict: The Problem of the Future

The experience at Travelers and other companies with similar human resource management policies will provide a powerful role model if a workplace war between the generations erupts. According to analyst and author Peter F. Drucker, the great divide in the workplace will no longer be between management and labor, but between the young and the old in an "age-heavy" society.¹¹⁹ To the extent that it is real, his much touted "intergenerational struggle" seems poised to play itself out on many fronts; indeed, there have already been reports of skirmishes.

In the face of a faltering, jobless recovery, sensitivity to who gets how big a slice of the economic pie becomes important. Employers who want to redress the wrongs done to older workers risk a backlash from the young, who in effect say, "If you give to older workers, you're giving less to younger workers."¹²⁰ This can apply to re-

sources for in-house programs, but the battle lines are most firmly drawn on the question of retirement benefits. Many firms are retiring older workers with relatively generous benefits, increasingly leaving younger workers with defined contribution plans that require them to manage their own retirement nest eggs. Done correctly, and given steady financial markets, this can be a plus. However, most people do not understand that this is all they will have from the company and, being inexperienced in the arcane ways of finance, do not invest wisely. The worry is that if things go wrong, the country will have a generation that cannot afford to retire.¹²¹

What the younger cohorts do not realize is that many older Americans are already facing that situation. A U.S. government-sponsored survey issued in June 1993 showed that 40 percent of people aged 51 to 61 expect to have no retirement income except social security and that about 20 percent have no real assets.¹²² This may go far toward explaining why so many feel a need to work that goes beyond emotional satisfaction.

Social security, which looms so large in the well-being of so many, is also a bone of contention. The young increasingly fear that it will not be there for them because a growing number of retirees will have absorbed its assets. Their complaints reveal a greater divide that is becoming increasingly apparent in society. Younger workers accuse the older generation of delegating to their children all the liabilities while they claim all the benefits and rights. They deeply resent having to foot the bill for an enormous deficit and having to support those responsible for it during their unproductive golden years.¹²³ The face of the "greedy geezer" looms large in the minds of many, a frightening image when one considers that if the AARP were a country, it would boast the 30th largest population in the world, just slightly under Argentina's.¹²⁴ The U.S. Chamber of Commerce estimates that by the year 2020, every retiree will be supported by 1.78 working Americans, whereas in 1935, 40 workers shared the burden of one retiree.¹²⁵

Since history cannot be rewritten, a partial solution is to redirect the future by giving the "nation" of older workers what they want—a fair chance in the fight for jobs. Based on her experience at Travelers, Greenberg argues: "If [employees'] work life is extended, older people will be contributors to pensions and social security systems and not recipients. And we will benefit from their extended, productive employment through increases in the gross national product and tax revenues and in reductions in social welfare outlays."¹²⁶

Retaining or hiring older workers in a variety of capacities will also alleviate the source of another form of intergenerational conflict. The tendency of age groups to clump together as they move up the hierarchy has robbed young and old workers of the chance to understand each other's perspectives and approaches and to respect and value them. Young workers often think of their gray-haired colleagues in the stereotypical terms already discussed. Similarly, many older workers regard their young cohorts as making decisions based on books and not life.¹²⁷ Pride in one's experience can rapidly become the excuse for deriding the young—whose youth, education, and opportunities the older worker may envy.

AGE NEUTRALITY—IMPARTIALITY

In terms of managing intergenerational conflict, once again the theme is individuality. The company that has ignored age and taken pains to retain, retrain, or hire workers based on their potential value to the company builds a workforce in which men and women of different ages have the chance to communicate, collaborate, and forge a better understanding of each other's relative strengths. Advocacy groups such as AARP and the Gray Panthers, employment agencies for people over 40, and other organizations that champion the rights of older workers welcome this. "We are not suggesting that a preference be given to older workers in the competition for jobs," Sicker asserts. "What we are saying is that age should not be a factor. What we want is age neutrality in the workplace."¹²⁸

The age neutrality that he and others advocate simply means removing a meaningless term from the workplace. It means basing decisions on a study of relevant, meaningful facts—the work experience, skills, and qualifications of individual workers and how they serve the employer's interests. The cost of their wages, health care, and pension benefits needs to be weighed against the quality of work, turnover, reliability, judgment, and other factors influencing total productivity.

This approach requires energy on the part of the hiring manager, just as the new workplace demands more of workers. As empowering as this can be, older workers nevertheless greet the change with some wariness. They fear that they will be denied the chance to work in teams, the chance to remain marketable by updating their skills and knowledge, and the opportunity to compete on a level playing field. They also see more hard times ahead as companies with many older workers, such as GM, prepare to lay off

thousands more in the next few years, and as contracts, such as the recent agreement between the United Auto Workers and Ford (which will serve as the industry model), trade more generous retirement packages for lower wages for new hires.¹²⁹ There is no clearer signal that older workers will continue to bear the brunt of corporate America's streamlining. Mixed in with the bitterness, however, is a plea for humaneness.

Some contend that demographics, the aging of the American workforce, will compel corporations to pay attention. Yet it would be a pity for corporate America to keep putting off what it can best accomplish today. Now is the time to study the opportunities and demands the emerging workplace will bring; now is the time to earn the loyalty of tomorrow's workforce by implementing age-neutral policies after careful study. The new workplace is already taking shape. Part-time, temporary, and contract-leased employees make up 25 percent of the labor force; the number of core jobs has shrunk,¹³⁰ and the project-oriented team approach is catching on rapidly. At the same time, more is known now than ever before about how different individuals learn and how to train workers of different ages and backgrounds effectively and economically.

Current trends can bode well in the long run for older workers and employers alike. The new workplace is spawning countless employment options at a time when older Americans are healthier, more active, and—equally important—undergoing a fundamental shift in attitude. Less and less do they see their working lives exclusively in terms of a one-track career with a leisured retirement at the end. Rather, today's older workers increasingly welcome the flexibility of phased-in retirement programs or the chance to structure the golden years around part-time or consultant work that allows time to pursue other interests or take on caregiving or volunteer roles.

A large number of not-so-old older workers need and want full-time jobs—notably the people caught in the sandwich generation or those whose assets are insufficient for a long retirement. This group of experienced workers will probably face more difficulties, but the problem may dissipate in time as economic pressures on companies diminish and employers realize the pitfalls of early retirement as a cost-cutting device. In some positive scenarios, technology-driven growth will create millions of new and better jobs over the next decade. The restructuring of the pension system will also help level the playing field between younger and older applicants. All in all, the new system is bringing the absolute cost of hiring a

45-year-old applicant more in line with that of hiring a younger applicant, particularly when the reality is factored in that the working life of Americans extends beyond the age of 60.

For employers, these changes vastly enlarge the labor pool, injecting it with a large selection of skilled, experienced, and flexible workers. For older workers, trends unfold new avenues for a productive, constructive, and healthier second—or third, or fourth—career. And for both the call is urgent: *carpe diem*.

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PART II

Crosscutting Perspectives

A Corporate Perspective on Competitiveness and Aging Workers

by Harold J. Tragash

"Workforce aging will be a factor in the design of labor policies, programs, and practices that will have an impact on organizational and national competitiveness, whether reflected on the bottom line or in the balance of trade."

Many older workers in the United States have never received much respect, yet they clearly warrant it. Despite the numerous myths about older workers, they have excellent work attitudes; they have better job skills, are absent less often, and have a lower turnover rate than other workers; and their productivity is high. Further, when given the opportunity, they can be useful innovators and exceptional teachers.¹

But is the value represented by this huge and growing percentage of the workforce clear to society? Do those who benefit—the people whom older workers work for and the people whom they support—perceive the inherent worth of this enormous reservoir of labor force creativity and productivity? Are workers older than age 50 viewed primarily as an asset or a liability? How well do employers respond to the needs of older workers? To what degree will they be treated differently, programmatically and economically, in the large and small organizations of tomorrow?

Before these questions are addressed and changes recommended, a frame of reference is needed to clarify the relevance of demographic trends to the aging workforce.

DEMOGRAPHICS AND COMPETITIVENESS

The Importance of Population and Workforce Trends

Population trends strongly influence human resource practices in organizations, although companies do not usually recognize the

ISSUES AT THE NCOA-NPA SYMPOSIUM:

Participants' Concerns . . . Author's Responses

Joyce C. Welsh (Vice President, National Council on the Aging, Inc.) asked Tragash to identify the most important step that companies can take to bring about a change in their attitude toward the value added by older workers. Tragash replied that the paramount need is for organization leaders to widely communicate the successes in their own environment—one CEO telling another, "I've got a good plan for handling contingency work," or "We've been involved in some useful transition planning." According to Tragash, this type of advertising is the most effective way to get leaders to begin to reconstruct their social contract with older workers. It is the leadership, whether of small companies or of the large firms that are becoming the models for the social and economic changes needed for the older worker, that will determine changes in policy.

Elva D. Walker (Chairman of the Board, National Purity, Inc.) noted that current retirees may be looking at 20 to 40 years of retirement, which is very costly, and many don't want to be in that position. She asked how current policies could be amended to address this situation. Tragash responded that people need to begin career planning when they are 25 or 30. However, only a small percentage of workers want to do any serious career or life long-term planning at that time. Most simply want a promotion tomorrow. To better prepare workers for the longer period after official work, Tragash suggested that benefit specialists should move away from actuarial, financial, and pension planning toward support of preretirement planning and life planning during the period when workers are between the ages of 40 and 50.

effects. Because the trends are long term and most firms focus on short-term ideas and practices, the effects are generally handled reactively rather than proactively. A major exception is pension planning, an area in which sophisticated actuarial projections are standard practice.

In terms of employment practices and policies, demographic trends are generally perceived implicitly rather than explicitly since few organizations have the resources to study the consequences of the flow of people into and out of labor pools. There are more than 24 million full-time employees over age 50 in the United States, an increase of almost 4 percent since 1987. According to the 1990 census,

the number of workers aged 40 to 54 will double in this decade. Organizations will clearly feel the effects of this shift and will need to adjust employee policies, programs, and practices to meet the changing makeup of the workforce, just as they did after the huge influx of women into the job market from the mid 1960s through the mid 1980s.

An understanding of population and workforce trends can be extremely beneficial to an organization. In the 1960s and 1970s, Robert Barmeier, an industrial psychologist, pioneered the use of demographic information to guide labor and marketing strategies at Sears Roebuck and Company. Barmeier prepared demographic trend analyses for each business function. He helped marketing, for instance, to study the movement of people from farms to the cities. These shifting population patterns led the company to build stores in suburban malls and to reduce the number of local catalogue offices that served small-farm communities. This change was a successful strategy for the retail giant until the competitive environment shifted in the 1980s. The personnel department at Sears developed large-scale employee attitude surveys to help them understand and respond to the changing needs of the workforce. In recent years, service industry giants such as McDonald's and Days Inn have adopted hiring strategies for the emerging older worker segment of the workforce.

As noted, most organizations do not have sufficient staff resources to study and plan for population trends in the labor force or marketplace other than to assess census information about women and minorities. Large and small businesses need to understand census distribution data as they relate to hiring programs. Data about population trends are essential for the preparation of affirmative action plans and to ensure the fulfillment of obligations concerning equal opportunity employment. The same kind of information on age group representation in the workforce has not been as readily available, nor has there been a demand to study aging workers. Most organizations learn about new trends and ideas from programs established and publicized by those who have taken the lead. But in the area of an aging workforce, there has been no "me too" strategy to follow.

The Effects of an Aging Workforce on Competitiveness

The varied demographic landscapes of nations significantly affect global competitiveness. Such diversity differentially influ-

ences human resource strategies and policies, regardless of whether managements try to adapt. Table 4-1 shows the size of the labor force and the proportion of the population aged 55 to 64 in the major industrialized countries. Compared with other nations, the United States has the smallest proportion of people in this age bracket and, accordingly, the smallest percentage in its workforce. This will be an important social cost advantage in the future. Other global competitors such as Germany and France have much greater numbers in the older worker category and therefore will face more pressing problems in this area.

In Japan, the impact of changing demographics shows how an aging workforce can affect competitiveness. Japan's already aging workforce is growing, and its younger workforce is declining. Major Japanese companies, in concert with organized labor agreements, have based their retirement policies on so-called lifetime employment. Retirement plans provide for normal retirement at about age 55, usually with lump-sum payments or other support that enable second-career activities. These policies and agreements were designed for the population and economic needs of the 1960s and supported by economic growth in the 1970s and 1980s. However, current productivity and economic gains indicate a slower growth scenario that could mean a serious labor shortage in Japan in the coming decades. Japan would then need to revise its management of employee life cycle practices, basing retirement strategies on a dif-

TABLE 4-1

Labor Force and Percent of the Population Aged 55 to 64 in Major Industrialized Countries, 1990-2025

	1990 Labor Force (thousands)	1990	2000	2010	2020	2025
			% of Total Population Aged 55 to 64			
United States	124,810	8.51%	8.91%	12.21%	13.34%	12.20%
Japan	63,824	22.94	27.56	31.71	31.98	32.28
Germany	30,370	11.45	13.70	12.72	15.87	16.27
United Kingdom	28,490	10.30	10.64	12.68	13.70	14.27
France	24,766	10.82	9.67	13.45	13.39	13.31
Canada	13,681	8.73	9.52	12.85	13.95	12.73

Source: Based on OECD 1993 *Economic Outlook*.

ferent population mix. It also would likely have to increase workers' economic gains to retain their talent in the workforce to sustain the Japanese economic engine. The country is already feeling the pressure of the younger workforce's demand for faster upward mobility, a demand that threatens Japan's traditional seniority system.

The United States has a different demographic mix from that of Japan, and costs to sustain the aging U.S. population will likely rise faster as the aging of the Japanese population slows. A decreasing U.S. birthrate, coupled with increasing life expectancy, will shape future U.S. human resource policies differently from past policies. The International Labor Office projects that the number of people aged 20 and younger will decline from 21 percent to 16 percent by the year 2030. However, the number of people 60 and older will grow from 21 percent to 37 percent.² This trend will help to increase the portion of the cost of goods that is attributable to employee benefits. Given the widespread demand for universal health care coverage in the United States, no organization will be immune to the effect of this trend on costs. This may also be true of the cost of goods competition between the United States and France or Germany, for example, with similar trends affecting organizations in these countries.

In recent years, productivity increases and restructuring have been major contributors to reducing the U.S. competitive cost differences based on labor. Rising social maintenance costs, however, are not easy to absorb. The point is that workforce aging will be a factor in the design of labor policies, programs, and practices that will have an impact on organizational and national competitiveness, whether reflected on the bottom line or in the balance of trade.

The increase in older workers and the decline of available younger workers in the United States must be treated as a competitive issue. In addition to influencing the cost of goods, the trend will inevitably lead to an imbalance in the ratio of active workers to pensioners. In 1991, on average, two actively employed people financed one person on a pension; projections for the future show a one-to-one ratio. The increasing costs of supporting retired workers with pensions can affect the social support costs of all employers as well as the economic security of the workers themselves.

Many Fortune 500 executives in the 1980s said that all the workers they needed until 2000 were already on the payroll. Considerable effort has gone into decreasing the job base in these large companies. Consequently, efforts have been focused on engineering supportive outplacement programs for tenured employees rather than on addressing work-life concerns.

Small-company owners and executives do not necessarily see these issues the same way. Recent job creation in the United States has been in small entrepreneurial companies that are mainly in the service and high technology sectors. Small organizations view available experienced workers as an already trained asset—a pool from which they can draw without much start-up investment. But what will happen to both large and small organizations when the experienced but aging workforce retires, leaving a smaller nucleus of new workers to do the work and to support the social base?

GAPS IN EMPLOYER RESPONSE

According to the Hudson Institute study *Opportunity 2000*, standard operating procedure in many companies encourages retirement or even early retirement.³ As Michael Useem reports in Chapter 1 here, early retirement is a fast-growing strategy of firms that are downsizing. The rationale behind this policy is that older workers are often less productive, are “better off” and “happier” if retired rather than working, and are the most expendable during reductions in force. Such attitudes, *Opportunity 2000* notes, are seriously short-sighted in an era of skilled labor scarcity because each time a productive employee retires, the company loses valuable human capital.

This does not mean that companies should eliminate retirement programs. Retirement is an incentive and a reward for loyal and productive service, and it provides an opportunity for people to leave the workforce if they want to. However, if a company has valued a worker's ability to make productive contributions over a long period, it should encourage that older employee to stay in the workforce in some capacity.

The increasing variety of work arrangements, including those to accommodate the needs of older workers, is costly in terms of the time and funds that human resource practitioners need to track and manage the changes, particularly in small businesses. Charles Handy's description of the shamrock workforce, one with a variety of nonstandard work arrangements, translates into a wide array of new records, reports, payroll changes, and wage and tax filings that practitioners must maintain, in addition to the necessity for them to assimilate changing knowledge and meet communications challenges.⁴ Going beyond normal arrangements to accommodate the needs of older workers creates more planning and more work for human resource staffs who already feel overburdened. Although some businesses have built teams with a “networker” approach to

handle the new work arrangements, most must overcome considerable inertia to do so successfully, and leadership is needed to encourage new behavior.

A Focus on Youth and Women

In 1970, the New York State Psychological Association sponsored three conferences with provocative topics addressing youth, women, and older workers in the workforce. The day's hot issue was the impact on the workforce of the entry of the baby boomers (those born between 1946 and 1964), and the conference on youth was a sellout. The conference on women broke even, but the conference on older workers was canceled due to lack of interest.

The results would probably be similar today, almost 25 years later. Discussions in business circles about new program developments for older workers center on elder care and concerns about retirement-income security. Management in general views as unexciting the topic of capitalizing on the skills of older workers. Strategic human resource planning in most organizations generally focuses on the short term.

In the 1980s, workforce demographics continued to drive the interest in understanding the issues surrounding the growing number of youth, minorities, and women in the workplace. The rebalancing of the workforce has had a profound impact on the structure of business and human resource practices in progressive organizations. For example, day care has become a reality in many mid-size and large firms with the increase in the number of two-career couples, and parental leave for both parents became acceptable as the needs of the childbearing boomer group emerged.

During the 1970s and 1980s, the United States remained extraordinarily weak in developing vocational and apprenticeship training programs compared with other major industrialized countries, but U.S. employers excelled in recruiting workers from colleges and universities. Such workforce demographics have influenced programmatic responses in the past and will do so in the future. By using college recruitment as an employment strategy, firms had access not only to an abundant supply of new workers but also to the latest knowledge that the students brought to the office. Knowledge was valued more than experience.

Initiatives in human resource management that find their way onto center stage of an organization are usually a function of business needs as defined by management. However, the leadership and

drive of a determined group can focus management on new approaches. For example, the baby boomers now realize that they will not all become heads of companies and that they, too, are moving into middle age. Their awareness has increased organizations' interest in preparing workers for lateral, rather than upward, career moves, as Michael Driver discusses in Chapter 6.

Thus, policies and programs have emerged in response to demographic trends, but they have usually been reactive. In the late 1980s, concern began to center on finding employment for new college graduates and on dealing with the diminished opportunities of all employees in the downsized economy. By 1993, more than 9 million Americans were jobless, victims of changes they could not control.

The Need to Focus on Older Workers

While youth unemployment has been an important age-driven economic issue, the problems of older workers, other than their postretirement economic security, have not received the same attention. Little research has been undertaken in the United States on the attitudes and behavior of older people in the workplace or on the attitudes and behavior of supervisors and other employees toward older workers. Little has been learned about the continuing vocational aspirations of older workers, about managing long career cycles for previously upwardly mobile professionals, or about developing new skills in adults who are technologically out of date. Research is needed to assess these workplace relationships.

Attitude surveys about employee satisfaction conducted by industry in the 1980s usually included the question, "Does the company treat you with respect?" The survey findings were relatively consistent. Approximately 40 percent of the workers were generally satisfied with the respect they received, and about 60 percent were dissatisfied or neutral. Employees whose ages ranged from 25 to 45 and who did not hold management positions were less satisfied than workers 18 to 24 or those older than 45.⁵

Typically, young people were satisfied with and positive about how they and the organization were being managed; middle-aged workers tended to be the most dissatisfied; and those nearing retirement tended to regain a greater degree of satisfaction. These findings have not changed significantly over the years, and companies have not effectively addressed the problems in postsurvey action plans.

Organizations do not understand the middle-ager's slump in job satisfaction. Aggressive work should be undertaken to determine its causes and the measures to prevent it. Perhaps the life cycle simply works this way, and the slump in job satisfaction is typical of maturing people. Or perhaps there are systemic causes. Regardless, companies have opportunities to improve productivity and worker satisfaction when employees are in their mid 40s and facing not only a low point in job satisfaction but also the prospect of 15 or 20 more years of work. A society cannot remain competitive by asking 25 percent of its workforce to enter employed "mental retirement" or even unemployed retirement.

When asked, "Does the company take employee interests/concerns into account in making decisions?" about 25 percent of workers over 45 replied favorably compared with 40 percent of workers 18 to 24. Older employees were more critical of company training practices and even of the quality of products and services. Perhaps personal standards of excellence increase as time spent with the organization increases. Or perhaps the level of tolerance for error or poor work habits decreases with experience. In other words, the work ethic of older workers may be higher than that of younger workers, and this is a valuable asset.

The desire to contribute to excellence is apparent among members of quality improvement teams. For tenured workers participating in employee involvement efforts, particularly workers with considerable seniority, the opportunity to express their ideas about productivity and quality improvement to team leaders, managers, and supervisors often becomes an extremely significant experience. Many of these employees report that the team presentation sessions were the first time in a long career that they had been asked for their opinion or had left their work stations to participate in problem-solving meetings.

Most workers respond positively to such opportunities to be involved—to have an impact on the success of the organization and to contribute to the satisfaction of customers. Employees' suggestions for improvements and innovations are frequently the function of years of experience with the work processes. Tapping this collective knowledge presents opportunities for both incremental and breakthrough improvements. Yet organizations fail to learn this lesson teaching the value of older workers' contributions and, in fact, usually act surprised when they discover the benefits from experienced worker involvement.

While organizations that measure employee satisfaction have responded to the survey data on family-life issues and diversity, they have not considered older employees' concerns other than, as noted earlier, the topic of elder care. The need for support in this area is manifest in the variety of programs that are available throughout the United States, including public-private collaborations.⁶ By no means is elder care a trivial concern; according to the Families and Work Institute, more than 40 percent of the nation's workers think that they will have some responsibility for an aging relative by 1997. Again, however, these statistics focus on the family responsibilities of workers of all ages rather than on older employees' needs and work environments.

THE STEREOTYPE OF AGE, TENURE, SENIORITY, AND EXPERIENCE

Workers aged 40 to 70, collectively, are a physically and mentally healthy population. Because they may have three more productive decades, on average, factors other than mortality issues must be creating the prevailing negative stereotypes of older workers that are embedded in American culture.

Tenure, seniority, and age are not rated highly by most U.S. organizations. The experiences, organizational know-how, and learning accumulated throughout an employee's working life do not count for much in a business-oriented society that focuses on "What have you done for me today?" Recognition for remaining in an organization is usually in the form of special anniversaries that mark survival over time with the 5-year pin, the 20-year dinner, and the 25-year gold watch. Americans celebrate the time served, but rarely appreciate the achievements attained. Superior performance is usually rewarded on a different level. (How many employees win a trip to the Super Bowl for having completed 30 years of service rather than for meeting 200 percent of the sales quota?)

Many American workers now consider recognition for staying with one company for five years a significant achievement (although often discussed in a humorous vein), indicating some degree of employment stability and security. Employees are well aware that the old social contract of 30 years of service and a good retirement package has been broken.

When European managers in Rhône-Poulenc Rorer (RPR), a Franco-American pharmaceutical company formed in 1990, learned of their U.S. colleagues' service-recognition programs, they were

somewhat amazed and failed to see the purpose of such recognition. In France, almost all workers are expected to spend their entire career in one company, and the greater a worker's seniority, the more respect he or she is accorded. Firms issue recognition pins during the first year of employment so that employees can show their company affiliation to the world. European managers recognize that performance also counts and find positions for employees that are commensurate with their skills and abilities as well as their length of service. Although much of this social consciousness is stimulated by labor laws (which make it difficult to act otherwise), the laws are driven by history and culture.

In fact, the perception of older workers is largely culturally determined. For instance, the way Americans discuss age is culturally driven. European candidates for supervisory, professional, or managerial jobs usually begin with age when asked to describe themselves. In the United States, however, Americans work hard to keep age a private matter.

Within a business with branches in several countries, tenure and treatment derive from each nation's culture, creating differences in policies and programs. Another country's approach to the same problem can present a learning opportunity or even a benchmark. In terms of improving U.S. competitiveness, studying other societies' practices toward older workers may suggest alternative policies to addressing the needs of America's aging workforce.

In U.S. management circles, use of the words "seniority" and "tenure" raises a red flag. Seniority is normally associated with rigidity, and tenure with guarantees of lifetime employment. The historical conflicts in organized labor concerning seniority do not translate into catchy campaign slogans that apply to the current emphasis on productivity and competitiveness. What counts in U.S. industry are performance and results, not necessarily an employee's age or tenure. Most management practices, therefore, have not reflected respect for aging workers. Any respect for older workers that is manifest today is the result of practical considerations such as accounting and intense cost cutting. The little economic respect that exists stems from the exposure of the serious problems of business and industry as they attempt to fund a system to meet retirees' medical and other economic needs. The attention to older workers is mainly derived from legal actions and social security system cost requirements. Respect is not rooted in a social philosophy.

In a study of the influence of age differences on the workplace, researchers discovered that employees who were older than their

supervisors reported better working relations and evaluated supervisors more favorably than did other employees. However, age made no difference in the supervisors' performance ratings of the employees. The results suggest that the effects of age stereotyping might be a function of systematic variables other than age differences between supervisors and subordinates.⁷

The aging of the U.S. workforce is a complex issue. Economic tools that organizations use to address retirement issues are rooted in 19th century social security philosophies, and supervisory practices have not even begun to develop in the face of the stereotype that age, seniority, tenure, and experience are the same. In reality, human resource time devoted to the noneconomic issues and needs of workers over age 50 has been insignificant. Further, the changing ratio of older workers to younger workers indicates that a need will develop for more tools and methods to guide organizations through a period when the experiences of the older workforce will be valuable in competitive terms.

DEVELOPING SUPPORT FOR THE NEW NEEDS OF AGING WORKERS

The first sign that older workers are receiving respect in the workplace will be publicity about the organizations that have become role models for constructing new arrangements with the aging workforce. Some of these organizations, such as the Aetna Life Insurance Company, have begun to include retirees in temporary work pools. They look first in the ranks of their retirees, a practice that recognizes the existing experience base and its utility. Eastman Kodak and Exxon are two companies that can offer ideas about services for "annuitant" groups. They have large retiree populations and are known for their comprehensive retiree program services. While these firms have caring philosophies, historically even they focused on programming for retirees.

It is only recently that human resource professionals have begun to examine seriously the question of services for older workers, going beyond financial issues and concerns to look at how to use their talents. The concept of a company's becoming more customer oriented in terms of its growing number of retirees is emerging in conjunction with workers' growing sophistication about their own needs.

For example, U.S. West Communications, Inc., a telephone and communications company, is working to create a high performance

workplace has embarked on a strategy of labor-management cooperation that includes a theme of renewal. This involves career, skills, and leadership renewal. The company reports heavy investment of time and resources in the production of a wide variety of lifelong training programs and alternative delivery systems tailored to the needs of workers in different stages of life and career. This type of creativity allows organizations to show not only that they care about the continued value of their experienced workers, but also that they know how to provide appropriate channels to address varying needs.

Because more and more employee savings, 401k, and other defined contribution pension plans are managed by large mutual fund services, organizations such as IDS (an American Express Co. subsidiary) and T. Rowe Price offer software support for customers. This service includes individualized disks for personal computers that enable participants to set goals and make financial plans for retirement before they leave their jobs. Some organizations, such as the Xerox Corporation, have experimented with artificial intelligence systems to guide goal setting and financial planning activities before retirement. The important point is that service providers are detecting the necessity for support tools to help with the new needs of the older workforce. These tools are inexpensive and are available to organizations of any size.

However, benefit specialists and organizational development experts and trainers will have to devote considerably more professional attention to the development of creative arrangements, services, and programs for people over 50. For example, Rhône-Poulenc Rorer's business objectives in 1993-94 included improving support for older worker career and preretirement planning. The company already had an extensive system of career and succession planning that focused on more upwardly mobile workers. Human resource personnel at RPR's company in the United States realized that one advantage of the merger with the French pharmaceutical organization was its strong support of older workers. This reflected the company's understanding that workers over 50 have difficulty finding jobs and that all workers need a plan for continuous personal development and future contingencies.

The French have a unique way of expressing their awareness of different needs: "No person should stand alone with a problem." Applied to the workplace, this means that organizations have an obligation to find solutions to the individual life cycles or career needs of their workers. A similar concern is voiced in Germany and

Japan. Clearly, despite economic problems and increasing dislocations in their economies and structures, the United States's global competitors have a strong sense of social responsibility. It is interesting to note that the field of industrial relations in France is called "social relations" and that labor laws are called "social laws."

ADDRESSING THE PROGRAMMATIC AND ECONOMIC NEEDS OF OLDER WORKERS

If U.S. industry were to unleash the potential in its experienced workforce, two strategic thrusts, one programmatic and one economic, would be imperative.

Programmatic Concerns and Recommendations

U.S. human resource practitioners and company leaders must improve their understanding and awareness of stereotypes, attitudes, and values pertaining to older workers and compare them with objective information. Issues of age diversity should be included in the education and training of managers, and efforts should be strengthened to develop companies' commitment to and support of fairness.

The reaction of managers and colleagues to older workers' concerns about age and the workforce stems from their relatively undefined and untrained perspectives. Associates of older employees need the sensitivity training that has worked well with other protected classes in the workforce. Such training would help colleagues and supervisors recognize the different set of attitudes, concerns, and issues applicable to older workers.

For example, organizations may value the experience of those aged 40 to 50—their so-called institutional memories or their job maturity—but not address career-planning issues and the economics of increasing tenure. Although seniority issues may be emerging as human resource issues for employees between 50 and 60, organizations focus on the cost of this labor, giving little attention to the older worker's flexibility on the job and adaptability to new technology. Most important, career potential is rarely considered, even though evidence shows that people in their 50s maintain high levels of productivity and introduce useful innovations in the workplace. After workers turn 60, the company's focus should shift to concerns about supervision as well as economic preparation and lifestyle planning for retirement.

An "age audit" would be a useful tool to obtain more objective information on the needs, concerns, and issues of each age group. Even without a formal tool, any organization has the capability to conduct focus group or roundtable discussions with employees to uncover questions and ideas. Each decade represents a changing set of factors and environments that supervisors and organizational policymakers need to address. Labeling all these changes as "aging" may be a disservice to an area more accurately described as the "psychology of the worker's life cycle." The concept of career age as opposed to chronological age is extremely useful for organizations in framing future thinking about careers, succession planning, and workforce deployment strategies.

No one worries about the age of the workforce when workers are in their 20s, and most research on workers in their 30s focuses on upward mobility, career planning, and job security. If organizations begin retaining employees for longer periods, new methods and styles of supervision will be needed for the mid-life decades to keep relationships viable and productive—methods and styles that have been neither well researched nor understood in U.S. industrial society. To date, the most frequently used method, and the easiest to institute, has been to remove the problem through early retirement or restructuring rather than learning how to manage or solve it.

It is clear that the 1990s represent large sea changes in the way work is organized and accomplished, partly because of the need to redefine employment relationships and levels of expectation. As social contracts between organizations and their workforces are redefined, the degree of sensitivity to the impact of age on the workplace can be addressed. One report emphasizes employees' need for more flexibility in tasks, as well as in time and place, if they are to attain their self-managing potential.⁸ This flexibility can be extremely appealing to workers who have found new interest in life goals. Organizations now have the opportunity to review traditional formal arrangements for work and to welcome new provisions.

According to Walter Klores, Senior Partner of Lifespan Communications, a tactical marketing services company based in New York, "The generation that redefined sexual mores, women's rights, marriage, and the workplace will also drastically alter the concept of retirement." When health-conscious baby boomers turn 65, they may have the constitutions of 45 year-olds. Klores notes that if the baby boomers have longer, healthier lives, they can and will want to work beyond 65. Senior workers will leave traditional roles to join organizations in which their experiences are valued, to become consultants,

to open businesses, or to become otherwise self-employed. If the aging worker segment of the labor force can articulate its needs and be viewed as a strategic resource, the likelihood will increase that management will respond by improving older worker employment policies and practices. As the baby boomers move into their 50s and into a different set of needs, perhaps they will become the force for change in dealing with age as a factor in workforce diversity.

These trends and changing viewpoints suggest creative solutions. To keep the workforce productive and competitive, especially if companies have few replacements, the following programmatic innovations should be instituted:

- continuously train and develop workers to reduce obsolescence;
- incorporate diversity training for managers that emphasizes older worker issues;
- develop new work schedules and arrangements to accommodate progression to full retirement;
- induce changes in the management of displaced workers along the lines of the Senior Executive Service Corps, the Elderworks program, and other networks that use the talents of experienced workers;
- improve reward and recognition systems to support the development of positive attitudes and behaviors that better use all segments of the workforce (many companies already include employee-management evaluations, appraisals, and feedback for their managers);
- extend awareness of the issues of older workers to members of self-managed teams so they can relate to these intergenerational needs (this innovation stems from the growing interest in having work self-managed by teams);
- note other countries' management practices regarding older workers to identify useful alternative approaches.

Perhaps most important is the need for human resource practitioners to "get closer" to the older worker-customer. This simply means establishing more arenas, both informal and formal, for interaction between workers and leaders. The more input that older worker-customers can provide managers concerning their feelings, contributions, and needs, the greater the likelihood that constructive actions will be taken, with successful outcomes.

Economic Concerns and Recommendations

Key economic questions also need to be addressed, such as the tax treatment of part-time and temporary workers. There is lack of knowledge as well as concern in this area. Taxing incomes affects social security payments and the motivation for experienced workers to continue working because it eliminates an incentive for them to increase their incomes. This, in turn, affects the competitiveness of the workforce.

Pension fund management and actuarial work are huge, costly endeavors. The problems associated with benefits and pensions and other retirement programs are severely testing even the most benevolent organizations. Human resource professionals, consultants, and managers dedicate substantial time to sound and responsible management of the assets devoted to ensuring the company's and employees' future economic security. Business and industry worry about the changes in accounting rules that have caused pension and retiree medical costs to be identified as huge unfunded liabilities. The effect on balance sheets significantly reduces shareholder value and is clearly a motivation to change practices. Organizations should explore constructive ways of handling unfunded pension liabilities to minimize their impact on the balance sheet. This economic pressure will no doubt generate new and creative solutions to workplace problems, which should significantly improve respect for older workers. Thus, economic pressure will eventually help management view older employees as assets to be kept on the payroll.

Major areas needing remedy are outlined below.

- *The tax code.* The nation needs a more forgiving tax policy for temporary work arrangements; in particular, Section 89 of the tax code, which governs part-time work and responsibilities for payments of benefits, needs revision. Because such changes are unlikely, at a minimum it will be necessary to do a better job of communicating responsibilities to workers and employers entering alternative arrangements.

- *Social security payments.* The workforce generally fails to understand the logic behind a system that reduces the benefits of older workers who earn above a certain level. If the United States encounters the expected talent shortage and need for longer work careers, this approach must be changed.

- *Labor law.* Perhaps it should be made more difficult to use the easiest remedy for all labor problems—layoffs. Layoff costs in the United States are generally lower than in other developed countries. In one sense this is a competitive economic fact, even though it can be distressing for worker morale and individual careers.

CONCLUSIONS

This discussion has centered on some of the major content issues facing private sector organizations, unions, social agencies, and governments in dealing with the requirements of the aging workforce. America's older working-age population is growing, bringing to the workplace a diversity that will affect labor supply, cost of doing business, and availability of talent. As the ranks of older workers increase, human resource practices in the United States will need to change. How organizations manage the economic and programmatic needs of the chronologically aging workforce in the next few decades can affect their competitiveness as social costs are tacked on to goods and services. Other societies will also be required to address changing workforce demographics.

Managerial practices must change to include communication with the workforce to identify issues and alternatives and to provide support for tools and methods that will help people reach personal and career goals. The changes must also include development of the skills and knowledge of human resource professionals and improvement of human resource technology.

In most organizations, behavioral changes and results precede attitude changes. The testimony and programs of organizations that have successfully tackled older worker issues must be widely publicized. These success stories should be broadly communicated to ensure that co-workers and competitors no longer view their older colleagues as dinosaurs or discount their experience.

This cannot be accomplished by looking exclusively at the problems in the United States; other societies have social and industrial histories that can provide insights and lessons. But nothing remains stable. As severe economic pressures are beginning to strain other countries' tested solutions, U.S. organizations need to become aware of their new approaches.

Although demographic and workplace issues are becoming more sharply defined, recognition and clear statements of the problems among the majority of organization leaders are still lacking. A strong public leadership effort by key organizations is necessary to

further the nation's understanding, appreciation, and utilization of the resources of the aging workforce. The energy currently being spent on addressing older workers' needs for economic and health care security must begin to focus as well on the other requirements of this diverse group.

Strategically, decisionmakers must remedy the programmatic deficiencies in their organizations. They must also address economic constraints. Beyond these issues is the importance of developing an overall concern for differences in the needs and aspirations that emerge with career age. The potential exists to improve U.S. competitiveness by tapping to the fullest extent the experiences, talents, and energies of a substantial segment of the labor force—older workers.

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Understanding Labor Markets and Productive Activity Through Race and Gender

by **Barbara R. McIntosh**

"Women, blacks, and other minorities do not follow the same productive activity patterns as white males nor can their labor force behavior be understood in isolation. Each socio-economic group possesses characteristics and experiences that can be turned to advantage in the current labor market."

The economic climate and associated organizational changes the nation has experienced in recent years have dramatically altered the way Americans view employment. They see profound changes not only in the nature of work but also in the expectations of individual workers. Even in the best environments, employers are asking workers to do more than before, and job security is no longer certain. This is particularly troubling for older employees whose expectations developed in an atmosphere of generally stable jobs that demanded a narrowly defined, nontechnological skill mix in industries that are now declining. Increased retirement resources, along with extensive use throughout the 1980s of plans providing incentives for early retirement, have contributed to the continuing trend of retirement before age 65 among white men. Workforce withdrawal is also encouraged by the greater social acceptability of being retired as opposed to being unemployed.

However, the same pattern of expectations and behavior is not true for women and minorities in the labor force. Women with little paid work experience before their 50s and 60s have reentered the labor force in increasing numbers, but they are not withdrawing in the same proportion or with the same benefits as white men. In contrast to jobs of white men, those held by white women and blacks

ISSUES AT THE NCOA-NPA SYMPOSIUM: Participants' Concerns . . . Author's Responses

Kathleen Christensen (Professor and Director, Work Environment Research Group, Graduate Center, City University of New York) raised concerns about McIntosh's belief that contingent work represents real opportunities for older workers. Christensen said that contingent work is a function of people's work histories rather than an opportunity. It does not benefit those who prefer full-time jobs, but rather those who have sporadic work histories. Job security, especially for older workers, is essential. Based on interviews, Christensen found that many women with sporadic work histories would rather work full time. She agreed with McIntosh that the changing employment picture will result in fewer full-time positions than the present generation grew up with. But she noted that contract employees with semipermanent relationships may encounter legal, social, and financial problems be-

cause they are expected to perform as employees but are compensated as if they are self-employed.

McIntosh pointed out that along with the reduction in full-time positions is the reality that fewer workers will have full-time jobs with the same employer. Job growth, according to McIntosh, is occurring predominantly in contingent markets. She recommended that employers pay their employees on a pro rata basis. For example, if an employee worked part-time for two different employers, then each employer would pay half of the benefits. As the employee acquired more jobs in the contingent workforce, partial benefits from each employer would eventually total full benefits. Harold Tragash (Executive Consultant, Genesis Associates) added that this recommendation may not work because there is no guarantee that an employee will be working 100 percent of the time.

characteristically lack training opportunities, and career advancement is more lateral than upward.¹ These groups, in effect, have been occupationally trapped. In addition, the concentration of women in low skill, low wage jobs means that they often do not choose a retirement age based on their own work histories or pension resources.²

Minority groups also have employment patterns quite distinct from white men and women. Black men, for example, have more work interruptions both because of the nature of their employment

and for personal reasons (e.g., health). Unemployment and retirement patterns thus have different implications for black men than for white men.³ Likewise, women,⁴ Mexican Americans, and other minority groups⁵ have their own employment, unemployment, and retirement patterns.

It is important to understand these patterned differences because minorities constitute an increasing share of the labor force. Blacks are expected to grow from 10.7 percent of the workforce in 1990 to 11.6 percent by 2005. The labor force growth rate for Hispanics is expected to be even higher, with an increase from 7.7 percent in 1990 to 11.1 percent by 2005, and the Asian share of the labor force is expected to increase from 3.1 to 4.3 percent.⁶

Diversity in the workplace is being heralded, but does it collide with downsizing? Organizational restructuring has shifted to flexible employment based primarily on part-time or other contingent work; however, the role of the older worker in this change is uncertain. Older workers have long sought meaningful part-time jobs, but now that these opportunities are available, there is a labor surplus. If attractive alternative employment options (e.g., job sharing and part-time and temporary jobs) increase, will the number of older people seeking paid employment continue to decline, remain small, or increase significantly? Are people 60 and older still involved in and committed to productive activity, and does this commitment vary across race and gender? Answers to these questions should help shape public policy because this labor market/organization transformation is evolutionary and, as such, affords policymakers the opportunity to shape outcomes.

Specifically, the three issues explored in this chapter include the emerging labor market shifts and employment opportunities, the productive activity patterns of people 60 and older, and the race and gender variations in this productive activity. Because of the complexity of race and gender interaction, this chapter explores only comparisons between blacks and whites.

First, however, it is important to underscore the necessity for employment and labor market research across and among elders in all ethnic groups in the U.S. labor force. Although they share a minority designation, Hispanics, Native Americans, Japanese Americans, Chinese Americans, and other Asian American groups face different experiences in the labor market and demonstrate different work and leisure behaviors as they age. Findings regarding blacks as discussed here cannot be generalized to other groups. Yet at the same time, it is reasonable to assume that, in general, the

"double jeopardy" and the "multiple jeopardy" that members of each of these subgroups face are due to their status as ethnic minorities and older workers.

SHIFTING LABOR MARKETS AND EMPLOYMENT RELATIONSHIPS

The question of job availability and job/employee fit in a labor-surplus economy is a primary concern in this analysis. Although the growth rate of the labor force is slowing (2.3 percent between 1990 and 2005 versus 2.9 percent for the period from 1975 to 1990), the latest figures from the Bureau of Labor Statistics project that by 2005, workers will number approximately 150 million, and the gross national product (GNP) will exceed 5.8 trillion.⁸ Employment is expected to grow by 24 million between 1990 and 2005, and one-half of this growth (11.5 million of the 23.2 million jobs) is expected to occur in service-producing industries. However, the average industry is expected to grow half as fast as it did in the previous 15 years. Construction and manufacturing are predicted to grow slightly more slowly, and finance, insurance, and real estate should grow as fast as the average industry.

Reorganization and the New Demands

In the short run, far greater dislocation has occurred than these growth statistics suggest. Organizational downsizing and restructuring are not fads but rather represent permanent changes in the nature of the labor market. Permanent, full-time "core" jobs represent a shrinking proportion of all employment. The employment of temporary workers grew 10 times faster than overall employment between 1982 and 1990; in 1992, temporary jobs accounted for approximately two-thirds of all new jobs in the private sector. Temporary, contract, leased, and part-time workers (i.e., the contingent labor force) now make up about 25 percent of the workforce.⁹

The emerging segmentation in the labor market is clearly based on materializing histories of core versus peripheral work rather than on traditional race, gender, education, and occupational segmentation.¹⁰ Observers see concentric circles instead of strata in the organizational pyramid. At the center, or core, are permanent full-time employees who receive all of the benefits traditionally granted employees with this status. In surrounding rings are leased and contract employees who work within the organization full time, but whose

employer of record is a third-party organization that may or may not meet the core employer's level of benefits. In more peripheral rings are contingent workers who provide services part time or part year and who typically work without benefits. The extent to which there are or will be flows among these rings is open to research. Some older workers use temporary positions to gain entry into organizations, with the goal of finding permanent part-time jobs. Other older workers who have been core employees use part-time options to move away from full-time commitments.

Although the internal market is changing in structure, employers are retaining women and minorities in the core during this period of downsizing. Within AT&T, for example, where 58,000 out of 315,000 employees have been cut since 1984, the proportion of minority supervisors rose from 3 percent before the cuts to 9 percent after. The proportion of women increased from 2.5 percent to 9 percent. Despite cuts of 1,700 out of 84,300 employees at NYNEX, minorities have remained constant at 22 percent and women at 47 percent of the workforce.¹¹

Certainly older workers, primarily white men, have absorbed the brunt of current organizational restructuring. Seniority is no longer employment protection: fully 40 percent of the largest companies in the United States made early retirement programs available to employees during 1990 and 1991.¹² Evidence also shows a significant increase in post-career "bridge" jobs among aging workers.¹³ Bridge jobs are more likely to involve part-time work and to last for short periods. They are also less likely to offer pension coverage.¹⁴

In the short run, this employment transition is probably hardest for those in their 50s because the changed environment does not mesh with their labor market expectations. They also are not necessarily prepared to carve out new employment relationships. In the next few years, baby boomers are more likely to receive cross-training in team-based environments and to network with contingent service providers. Thus, as this cohort becomes "older workers," employment relationships and labor markets will probably be more stable and more responsive to diverse participants.

Market Threat or Opportunity?

Currently, the changes in the structure of American industry appear to represent a major threat. Aging workers are being both voluntarily enticed and involuntarily removed from their jobs. They

find themselves unable to compete in the labor market because they are "overqualified." Even when they are able to secure positions, which typically are part-time, the wages are low, and there is no health care protection.

At the same time, part-time contingent employment could represent a real opportunity for the older worker. For years researchers have argued that alternative work schedules, job sharing, partial or phased retirement, flextime, retraining, and reassignment provide employment flexibility, which is attractive to aging workers.¹⁵ Older workers and retirees also reportedly would prefer part-time employment.¹⁶ The current restructuring and interest in part-time workers, therefore, may open a much wider range of occupational and industry opportunities to older workers than has been available in the past. In addition, jobs in contingent markets may in fact be more accessible because older workers may not be competing with all groups in the labor force. It is reasonable to assume that younger workers will concentrate their search efforts in core, full-time markets.

PRODUCTIVE ACTIVITY PATTERNS FOR INDIVIDUALS AND SOCIOECONOMIC GROUPS

While the pressures of market structural change and employment availability are critical to the study of the productive activity of people over age 60, it is equally important to look at individual behavior. Social research in general has not directed enough attention to the relative importance of people's own choices and behavior versus their environment, opportunities, and exogenous events.¹⁷ No one knows how older workers will respond over the long run to the changed labor market and work environment. Moreover, it is reasonable to expect race and gender differences in their patterns of productive activity.

Certainly, the trend for white men to retire earlier continued throughout the 1980s and 1990s. (In 1950, 86.9 percent of all men aged 55 to 64 were working full time, but by 1990 their participation rate had dropped more than 19 percentage points to 67.7 percent.) With a few exceptions,¹⁸ however, the literature on the retirement decision is based on the white male model.

Assumptions derived from findings about white males cannot be applied to other groups. Changing labor force composition has highlighted the paucity of information about the different patterns of productive activity among subgroups in the population, and there

is increasing evidence that race and gender contexts are essential for understanding labor force participation and productive activity defined more broadly.¹⁹

The discussion to this point has focused exclusively on paid work, but a fuller understanding of the productive activity of elders must also include unpaid work at home (housework, child care, and maintenance) and unpaid work outside the home (volunteer work and helping others). These types of work are included in the definition of productive activity as "any activity that produces goods or services."²⁰ Specifically, the following sections examine differences in the amount of productive activity, commitment to staying productive, and reasons for shifting from paid work to other combinations of activity as demonstrated or reported by race and gender subgroups of older people.

Methodology

Data used to explore race and gender differences in this chapter are drawn from the 1986 "wave" of the panel study titled *Americans' Changing Lives* (ACL), a multistage, stratified area probability sample of people 25 years of age and older.²¹ Blacks and individuals over 60 were oversampled, and the number of respondents was 3,617. Analysis was based on information from 1,646 blacks and whites who were 60 or older, including black women (341), white women (764), black men (161), and white men (380). Weighting was performed within each subgroup to adjust for differential sampling probabilities, inclusion of spouses, and nonresponses and to adjust each group's demographics to that of the population.

Race and Gender Variations in Productive Activity

As is evident in Table 5-1, Americans over age 60 are very productive. White females report the highest number of hours, 1,607, followed by black females, black males, and white males. Within both races, females are significantly more productive than males at the $p < .01$ level. While not surprising, it is interesting to confirm that the patterns of productive activity are different, particularly among males and females. Only blacks show no significant differences between males and females in the level of unpaid work outside the home.²²

In the area of paid work, there is no significant difference between black and white males or between black and white females.

TABLE 5-1

Yearly Productive Activity Comparisons in Hours and by Percent,
Total Time, by Race and Gender Among Those 60 Years and Over

Type of Activity	Paid Work Outside Home	Unpaid Work at Home	Unpaid Work Outside Home	All Combined
Black females				
Mean	225.5	1,182.9	81.6	1,490.0
st. dev.	595.8	977.2	123.6	1,163.3
percent of total (n = 341)	15.13	79.39	5.48	
White females				
Mean	234.1	1,253.3	119.6	1,607.0
st. dev.	625.4	824.1	137.0	1,009.2
percent of total (n = 764)	14.57	77.99	7.44	
Black males				
Mean	470.3	673.5	79.8	1,223.7
st. dev.	858.6	718.4	109.5	1,034.0
percent of total (n = 161)	38.43	55.04	6.52	
White males				
Mean	547.0	493.4	100.0	1,140.4
st. dev.	1,019.7	496.5	128.1	1,052.2
percent of total (n = 380)	47.97	43.27	8.77	

Source: N. Danigelis and B.R. McIntosh, "Resources and the Productive Activity of Elders: Race and Gender as Contexts," *Journal of Gerontology: Social Sciences* 48 (1993): 192-203.

However, there are significant differences in the amount of resources possessed by each of these groups and in the extent to which these resources are important predictors of paid work outside the home. As shown in the top portion of Table 5-2, white males possess greater physical ability, more education, higher incomes, and more material assets. They are also more likely to be married. Blacks, particularly black females, possess significantly fewer of these resources, but the overall activity levels of blacks are proportionately as high. In addition, as shown in the bottom section of Table 5-2, these resources play a differential role in predicting paid work by race and gender subgroup. It is particularly interesting to note the role of education, which is a nonsignificant predictor for white men (negative) and for black women.

TABLE 5-2

Resource Comparisons and Standardized and Unstandardized Regression Coefficients Between Paid Work Outside the Home and Selected Resources, by Race and Gender Subgroup Among Those 60 and Over

	Age (Years)	Physical Ability (Scale)	Education (Years)	Income (Dollars)	Assets (Dollars)	Being Married (%)	Household Size (Persons)
Black females							
Mean	70.6	-0.26	8.5	8,320	13,165	29.8	2.1
st. dev.	7.5	1.09	3.7	8,570	30,258	45.8	1.2
(n = 341)							
White females							
Mean	70.7	+0.02	11.1	19,103	68,119	52.9	1.9
st. dev.	7.3	0.97	3.1	19,847	115,907	49.9	0.9
(n = 764)							
Black males							
Mean	69.8	+0.07	8.2	15,872	31,184	59.5	2.3
st. dev.	7.5	1.00	4.5	18,820	87,901	49.3	1.4
(n = 161)							
White males							
Mean	70.0	+0.17	11.2	25,633	108,570	79.7	2.1
st. dev.	7.3	0.94	3.4	23,051	162,636	40.3	0.9
(n = 380)							

(continued)

TABLE 5-2 (continued)

	Age (Years)	Physical Ability (Scale)	Education (Years)	Income (Dollars)	Assets (Dollars)	Being Married (%)	Household Size (Persons)	Explained Variance (R)
Black females								
b	-19.2	+78.8	+37.0	+01581	+00271	-132.8	37.0	
Beta	-.24*	+14*	+02 (ns)	+23*	+14*	-.10 (ns)	-.08 (ns)	0.22
White females								
b	-25.8	+37.7	+24.7	+00290	-.00061	-202.8	-2.0	
Beta	-.30*	+06 (ns)	+12*	+09 (ns)	-.11†	-.16*	-.00 (ns)	0.12
Black males								
b	-31.8	+200.8	-45.0	+01435	+00158	+134.2	+6.4	
Beta	-.28*	+24*	-.24*	+31*	+16‡	+08 (ns)	+01 (ns)	0.32
White males								
b	-37.6	+109.1	-4.0	+01722	-.00012	-145.5	+83.9	
Beta	-.27*	+10‡	-.01 (ns)	+39*	-.02 (ns)	-.06 (ns)	+07 (ns)	0.31

All regression coefficient significance tests are based on two-tailed t tests.

(ns) = not significant.

* $p < .01$

† $p < .02$

‡ $p < .05$

b = unstandardized regression coefficient.

Beta = standardized coefficient.

Source: Danigelis and McIntosh, "Resources and the Productive Activity of Elders."

Commitment

Despite the relative lack of resources for blacks and for women, it is important to note that, overall, white females express the strongest positive commitment to being active, followed by black females, black males, and white males. (Commitment is measured by the scalar response to the statement, "A person should continue to work as long as he or she is able.") Table 5-3 shows that males, especially white males, are negatively committed to being active. Again, these results highlight the fact that the white male retirement model may not provide the most accurate benchmark data of behavior change in emerging labor markets.

Interestingly, the reverse of this commitment is reflected in the number of workers actually receiving compensation within each of these subgroups. White females are the least likely to be engaged in paid work (13.4 percent), followed by black females (15.7 percent), white males (24.2 percent), and black males (24.3 percent). The gender differences are significant and are certainly hidden in national averages.

Once again, the number of hours worked shows patterned differences in the frequency distributions of race and gender. Males, in particular white males, with an average of 38.31 hours, are much more likely to have full-time jobs. Comparatively, black and white females work fewer hours—but more than half time. Each subgroup worked approximately 28 hours per week. These averages clearly suggest that older workers are more likely to have full-time than part-time jobs.

Continuity

This commitment to productive activity is further echoed by older job holders when asked whether they would like to work more or work less (see Table 5-3). The only exception is black males who, once employed, have the greatest commitment to more or continued work. Employed black males are the most likely to want to work more (25.5 percent) and the least likely to want to work less (21.1 percent). Among the females, 19.7 percent of the blacks and 12.6 percent of the whites want to work more. Less than one-half of all groups report that they want to work less. Employed black females are the most likely to report that they want to work less (44.9 percent), compared with 31.6 percent of white females.

TABLE 5-3

Among Those 60 Years and Over, General Commitment to Being Active, Percent Working, Mean Hours Worked, and Preferences of Those Working for More or Less Work, by Race and Gender Subgroup

	Commitment to Being Active	% Working Now	Hours Worked		Preferences of Those Working			
					Work More		Work Less	
					Yes	No	Yes	No
Black females		15.7		Number	12	49	22	27
Mean	-.003		Mean	28.4	19.7	80.3	44.9	55.1
st. dev.	0.889		st. dev.	14.24	(n = 61)		(n = 49)	
	(n = 341)							
White females		13.4		Number	17	118	37	80
Mean	+.142		Mean	28.5	12.6	87.4	31.6	68.4
st. dev.	0.949		st. dev.	16.32	(n = 135)		(n = 117)	
	(n = 764)							
Black males		24.3		Number	13	38	8	31
Mean	-.011		Mean	33.14	25.5	74.5	21.1	78.9
st. dev.	1.065		st. dev.	15.25	(n = 51)		(n = 38)	
	(n = 161)							
White males		24.2		Number	0.17	96	33	66
Mean	-.236		Mean	38.31	15	85	34.4	65.6
st. dev.	1.111		st. dev.	18.81	(n = 113)		(n = 96)	
	(n = 380)							

Source: J.S. House, *Americans' Changing Lives: Wave 1, 1986*. ICPSR Study No. 9267 (Ann Arbor, Mich.: Inter-University Consortium for Political and Social Research, University of Michigan, 1989).

The desire to remain active and the preference to increase or not decrease hours spent on the job may be partly a function of the sector of employment and the amount of control available on the job. As is shown in Table 5-4, blacks are far less likely than whites to be self-employed. Blacks are much more likely to be employed in the government sector, and they have slightly higher representation in the private sector. With respect to control, black females are the least likely to supervise others (25.1 percent), compared with 53.1 percent of white males who hold supervisory positions.

This discussion has concentrated on paid work outside the home, but it is important to recognize that an additive effect across these productive activities further complicates race and gender patterns of time allocation, particularly for compensated work. Table 5-1 highlights significant differences in time demands and time distribution. For example, caregiving is a critical component of this productive activity and certainly may represent another form of double jeopardy for aging women. One study reports that two-thirds of family caregivers are adult children and that among this group, daughters outnumber sons three to one.²³ Another national study estimates that only 28.5 percent of the 2.2 million caregivers are men.²⁴ There is also little evidence that caregiving is sacrificed because of labor market activity. One researcher found that employ-

TABLE 5-4

Employment Sector and Supervisory Status, by Race and Gender Subgroups for Those 60 and Over

	Self-Employed	Private Sector	Government Employed	Supervise Others
Black females (n = 62)	12.8% 8	62.3% 38	24.6% 15	25.1% 13
White females (n = 135)	33.2 45	47.1 63	18.8 25	31.5 42
Black males (n = 51)	12.7 6	53.7 27	33.6 17	31.1 16
White males (n = 113)	39.7 45	46.9 53	13.4 15	53.1 60

Source: House, *Americans: Changing Lives*

ment significantly reduced sons' but not daughters' caregiving activity.²⁵

It is interesting that few retirees in the ACL data set indicated that they retired because of the health or illness of a family member. Black females were the most likely to report that they retired for this reason, but only 4.9 percent reported illness in the family as the reason for retirement. White females were only slightly less likely to cite this as the reason (4 percent). For males it was virtually not an issue (white males, 1.4 percent; black males, 3 percent). To the extent that paid employment is sacrificed by women, there are significant psychological and economic costs. Significant personal costs are also associated with maintaining roles in all realms of productive activity.²⁶

For those not engaged in paid work, it is evident that their primary reasons for retiring are personal rather than family or job related. But again, there are significant race and gender differences. As shown in Table 5-5, each subgroup indicated that health was the primary reason for retirement. Whites, particularly females (17 percent), were less likely to cite health as the reason they stopped working. Black females were more than twice as likely as their white counterparts to cite this reason (41.8 percent). Age was twice as likely

TABLE 5-5

Percent Indicating Primary Reasons for Retirement Among Those Over 60, by Race and Gender Subgroup

	Health	Age	Do Not Want to Work	Job Ended
Black females (n = 261)	41.8%	11.5%	12.9%	9.9%
White females (n = 586)	17.0	9.7	12.5	10.1
Black males (n = 125)	39.0	21.2	15.3	8.4
White males (n = 294)	25.4	24.3	19.1	3.2

Source: House, *Americans Changing Lives*.

to be given as a reason by males. White males were more likely to say that they did not want to work—19.1 percent compared with approximately 13 percent of the females. Finally, white males were least likely to be in positions that were terminated (3.2 percent). Among both black and white females, 10 percent reported that “job ended” was the reason they stopped working.

CONCLUSIONS AND RECOMMENDATIONS

Several key points and recommendations flow from the data and analysis above. New labor markets structured around independent contractors (self-employed or third-party providers) are increasingly evident throughout the economy. These markets represent significantly expanded opportunities for older workers because jobs with independent contractors offer part-time entry and flexibility. Employers seek workers who are willing to provide skills and services on a temporary or part-time basis. In addition, evidence indicates that older workers, with their experience, expertise, and preference for fewer hours of work, may be more likely than younger workers to seek these types of employment opportunities.

Contingent, particularly part-time, labor markets represent an expanded opportunity for older workers.

Recommendations:

1. Stimulate programs that facilitate older worker networking and entrepreneurship as contingent or third-party providers.
2. Mandate prorated benefits for all part-time or other contingent employees.
3. Reexamine institutional and economic barriers to continued employment for older workers (e.g., pension provisions prohibiting continued employment with the same employer following “retirement”) and social security restrictions.

Elders are engaged in high levels of productive activity and are committed to remaining active.

The ACL data analysis shows that not only are the respondents active across a variety of goods- and services-generating activities, they are also, with the exception of white males, committed to remaining active. It is clear, too, that men who are gainfully employed work virtually full time and women work 75 percent of

full-time. Worker activity in this arena is substantial and continuous. Less than 50 percent of all groups want to work less, and at least 20 percent of the blacks want to work more.

Recommendations:

1. Broker the shift to part-time employment for those engaged in paid work and for those not doing paid work.
2. Recognize, measure, and value the productive contributions of older people across paid and unpaid activities.
3. Value unpaid activities as if they were in the paid arena (e.g., establish service banks with credits for helping others).²⁷

Significant race and gender differences exist in the patterns of productive activity (paid work, unpaid work at home, and unpaid work outside the home).

It is critical to recognize that differences exist among older subgroups of the population. To date little comparative research has been directed toward the determinants of productive activity and the differential effect of resources such as health, education, wealth, and family support. Women, blacks, and other minorities do not follow the same productive activity patterns as white males nor can their labor force behavior be understood in isolation.

Each socioeconomic group possesses characteristics and experiences that can be turned to advantage in the current labor market. For example, older black women are strongly committed to remaining productive, and for them, well-being is a function of helping others.²⁸ Combining these attributes, it would be logical to suggest that a network of home-care providers be developed to meet not only the employment needs of older workers but also the physical needs of older people no longer able to work. Certainly, both elder care and child care models are receiving increasing attention.²⁹ But this is only one possibility. Another is the provision of direct services, such as data processing and management, to organizations. Still another possibility is the indirect identification of service providers (e.g., serving as the third-party coordinator for all machine maintenance). The issue is finding and developing niches in which elders are already active or have experience and expertise.

Recommendations:

1. Identify other race and gender differences in labor market expectations and behavior.

2. Recognize that resource needs are not universal, that education and family support are not uniform contributors to labor force participation among elders, and that health is critical across race and gender.
3. Build on the strengths of older women and minority groups in both part-time employment and core market retention because these groups are more strongly committed to remaining productive and have a greater need.

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Workforce Personality and the New Information Age Workplace

by Michael J. Driver

"If older workers are allowed to set their own pace, they can be as productive as any other workers. If depth of knowledge is also needed, older workers can be invaluable assets."

Today's work environment is clearly in the midst of a "paradigm shift"—a dramatic alteration in the nature of work and workplaces that may demand major readjustments at all levels of the workforce, particularly from workers aged 55 and older. Earlier paradigm shifts also revolutionized work. By the 1850s, the outline of the Industrial Revolution model in America was evident in the emerging railroad empires. The Civil War fueled the fires of industrial growth, and the 1870s saw the triumph of the first version of the American industrial order in the creations of Carnegie, Rockefeller, and their peers.¹

A second, more "rational" or scientific version of the Industrial Revolution appeared in the early decades of the 20th century and reached its apogee in the 1950s.² This scientific version of the industrial model became unstable in the 1960s and began to disintegrate in the next two decades as foreign pressure led to the growth of conglomerates and then to more destructive mergers and takeovers. With the advent of the computer in the 1960s, a new model, widely called the Information Revolution, steadily gathered force and now bids to be the paradigm for the 1990s and beyond.

Each model has called for new or very altered skills and values in the workforce. Prescriptions that are written without an understanding of the personal qualities needed to cope with an emerging paradigm cannot help American workers adapt. Only when it is known what types of people will flourish in the new environment

ISSUES AT THE NCOA-NPA SYMPOSIUM: Participants' Concerns . . . Author's Responses

Michael C. Barth (President of Information Technology, ICF Information Technology, Inc.) commented that what is really missing in the way older workers are treated in the workforce is flexibility. For example, workers are expected to work full time for 20 to 40 years and then one day to stop working completely. Because this lack of flexibility is so extraordinarily expensive for all participants, Barth questioned why the system exists. He asked if Driver saw any factors in his distinctions in career orientation that would lead to what all sides seem to view as a nonfunctional situation. Driver responded that policymakers need to become aware of these distinctions and prepare for different kinds of changes in workers' status. For example, for Experts to be cut off from their occupation is a deadly experience. It is also deadly for Linears to be blocked or to retire early. But for Spiral or Transitory people, change is part of their nature.

Kathleen Christensen (Professor and Director, Work Environment Research Group, Graduate Center, City University of New York) noted that under Driver's framework for a new Information age, there should be a need for more people in the role of Expert in terms of being tied to the work they do rather than to the organization. She asked if Driver saw this as an issue for companies choosing the

network approach, given that there are no Experts emerging. Driver responded that, as the network webs evolve, companies will recognize the need for the older worker who is grounded in expertise and who can be tolerated by other career types in the new era, such as the Spirals. He attempts to develop such cultural pluralism in the organizations he works with by pointing out that the Information age will require a number of Spiral people reaching out for change, but that it will also need support people, including self-adaptive teams.

Terry A. Barclay (President, Operation ABLE of Michigan) said that in her experience Experts have been the hardest hit in layoffs and downsizings, primarily because their area of expertise is often outmoded by technology. Driver replied that although Experts are hit hardest now, he believes that Linears will be hit harder in the future. Because Experts are not easy to retrain, organizations should develop techniques to aid in understanding their need for identity and value. He added that while depth of expertise is very important, so is breadth, getting people to shift over topics and to bring new ideas into the workplace. According to Driver, Spiral people will be vital in the future because they have depth and breadth of expertise and are willing to move across fields. Organizations will require these worker traits to succeed in the future.

can government, business, and education facilitate appropriate changes for the workforce. The following examination of these paradigms focuses on their demands on the worker and on the rewards they offer.

PERSONALITY FACTORS IN WORKERS' REACTIONS TO PARADIGMS

Several personality models will be used to help understand individuals' responses to paradigm shifts in the work environment. The personality characteristics, or qualities, in the models can be divided into skills and motives. On the skill side are intelligence and cognitive style; on the motivation side are cognitive motives and career concepts/motives. In the discussion that follows, it is important to keep in mind that intelligence refers to the job requirements of some businesses in the workplace rather than to the level of intelligence of an individual worker.

Skills

Although intelligence (the capacity to handle verbal, quantitative, and spatial information) is believed to be largely innate, steady increases in measurable intelligence have occurred in the United States during the past century.³ Better education, culture, and working conditions apparently can effect such increases to the limits posed by genetics. More important, external forces can shape certain areas of intelligence, particularly verbal ability.

Cognitive style refers to learned patterns of thinking. Beginning in the late 1950s, a number of cognitive style theories and measures evolved, including "decision style."⁴ The decision style model considers two aspects of decisionmaking: (a) How much information is typically used in making a decision? (b) Is a decision based on one best approach, or does it include multiple strategies? These aspects of decisionmaking generate five basic decision styles (see Figure 6-1):

(1) *Decisive*—moderate information use, one best solution. This style is seen as quick, action-oriented, firm, blunt, and loyal.

(2) *Flexible*—moderate information use, multiple solutions (one used after another). This style is typically viewed as fast, adaptive, agreeable, and unpredictable.

FIGURE 6-1
Decision Style Model

		INFORMATION USE		
		Moderate	High	
UNI- FOCUS (Firm)	{	DECISIVE	HIERARCHIC	SYSTEMIC
		Bottom Line Efficient Terse Loyal	Methodical Quality-Oriented Serious Visionary	Prioritized Strategies Original
SOLUTION/ GOAL FOCUS	{	FLEXIBLE	INTEGRATIVE	System- Oriented
MULTI- FOCUS (Adaptive)	{	Intuitive Changeable Variety Sociable	Creative Exploratory Team-Oriented Tolerant	Self- Contained
		Fast, Action-Oriented	Analytical	

(3) *Hierarchic*—high information use, one best plan of action. Hierarchic thinking is thorough, detail-oriented, and strategic, and it anticipates problems.

(4) *Integrative*—high information use, simultaneous multiple solutions. The Integrative thought process is creative and highly relativistic, yielding a strong bias toward teamwork.

(5) *Systemic*—complex, two-stage process in which high levels of information are absorbed and multiple strategies developed, and then a hierarchic inner logic produces a structured prioritization of strategies. This style is self-contained and often quite original, and it prefers a more individual approach than the Integrative style.

The Decision style model asserts that most people learn at least several styles, often using one style under stress and another under more moderate conditions. Unlike intelligence, decision styles can be changed as work requirements change. Further, there is no "best" style; each works in the right setting.

Motives

On the motivation side of personality, two cognitive motives—a little-known class of motives that energize thinking processes—are relevant: the need for certainty, and the need for complexity.⁵ The need for certainty (or its inverse, the tolerance of uncertainty) involves an individual's response to unpredictable inputs. This model suggests that, based on past experience, people develop an expectation of how much incongruity (uncertainty, ambiguity, etc.) they will encounter, and they try to maintain that level of incongruity. For example, an individual who has adapted to a highly uncertain environment will try to raise the level of uncertainty if it falls below expectations.

The complexity motive states that people with high adaptation to complexity will seek and maintain activities that allow complex operations, whereas those with low complexity adaptation will attempt to maintain a simple informational environment.

The career concept/motivation model completes the set of models needed to examine the reactions of workers to a paradigm shift.⁶ This model suggests that people define the meaning of a career in four ways:

(1) *Linear* career concept—a progression up a ladder of many defined rungs, such as levels in a hierarchy, salary grades, or even bank account sizes. Success is reaching the top. Motives related to this concept are power and achievement.

(2) *Expert/Steady-State* career concept—a lifelong membership in a calling or vocation in which the only movement may be a very slow progression from apprentice to journeyman to master. Success is recognition for true competence. Motives are security and competency (or expertise).

(3) *Spiral* career concept—a series of lateral movements from one field to another (e.g., from engineering to marketing) in which 7 to 10 years are spent mastering one field before moving to another field that uses the old skills and adds new ones. Success is developing one's full potential. Motives include self-actualization and creativity as well as nurturing and developing the potential of others.

(4) *Transitory* career concept—a frequent movement (one to four years) from one area to another, with no concern for any systematic skill building. Novelty, challenge, independence, and social contact are key motives.

Career concepts are seen as products of environmental conditioning and inner motives. Culture and family can mold career concepts, as can company cultures.

THE INDUSTRIAL PARADIGM

In the second version of the Industrial Revolution, the most prominent work entity became the manufacturing or financial corporation. These corporate beings grew enormously in power and size, swallowing up lesser firms and individual proprietors in all arenas. Initially run by their formidable founders, they developed a breed of managers whose watchwords were efficiency and growth in volume of production. As time passed, managers became schooled in managerial sciences and adopted ever more effective planning and technology. At first driven by owners, the managers eventually became a force unto themselves.

Workers became increasingly remote from management until the labor movement gave them a voice, however adversarial. Work was routinized and regulated with increasing precision. Education systems evolved to try to develop standardized workers for standardized jobs.⁷

In addition to the corporate giants, other organizations have emerged, including the large, flat bureaucracies inhabited by experts who are waited on by an army of clerks. These organizations include government, education institutions, hospitals, research centers, and some financial firms. Workers in these environments either apply expertise (often in isolation) or deal with routine clerical activities. It is a very stable world compared with that of corporations, where competitive pressures are a fact of life.

Two other work entities complete the picture: individual businesses condescendingly called "Mom and Pops," and small entrepreneurs on the fringes of the big organizations, sometimes providing useful ideas, sometimes disappearing.

Personality Factors in the Industrial Paradigm

In the old Industrial paradigm described above, the corporation has two or three sets of demands and rewards. At the bottom of the industrial corporation is the worker who performs repetitive, simplified work for the company that demands loyalty in exchange for security. A good fit for this type of work is the Decisive-style person whose intelligence is hardly challenged, who has little need

for uncertainty or complexity, and whose career concept stresses security and proficiency in the trade.

Although extensive data on worker patterns are not available, data on manager personality characteristics in industrial corporations largely support the following suppositions. Staff experts (such as those in accounting, marketing, and personnel) engage in complex operations but aim to reduce uncertainty. Middle managers share the staff's preferences for complexity and certainty and become more Linear as position ladders grow with expanding corporate size.

Intelligence, particularly verbal intelligence, has been found to be strongly related to top managerial success.⁸ Decisiveness not only characterizes corporate leaders, but it also seems to be demanded by subordinates. Fairly high complexity, especially in technical areas, and dislike of uncertainty are also typical qualities of top management. The Linear career concept is the overwhelming pattern for senior managers. Similar patterns are found at middle levels and among staff positions, except that the more complex Hierarchic style is prevalent. Nearer the worker level, Decisive patterns again come into play (see Table 6-1).

In the flat bureaucracies, the top manager role is deemphasized. Staff experts are quite intelligent Hierarchic or Systemic people with high complexity needs and at least moderate certainty needs. The Expert career concept is dominant. The clerical staff reflects these qualities, but at lower levels of complexity, and may sometimes show Decisive-style traits.

At the bottom level of the flat bureaucracies are Decisive workers with low complexity and uncertainty needs and a strong Steady-

TABLE 6-1

Personality Patterns in the Industrial Paradigm

	Intelligence Demands of Job	Style	Complexity	Uncertainty	Career
Bureaucracy					
Corporation					
Management	Moderately High	Decisive	Moderately High	Low	Linear
Staff	High	Hierarchic	High	Low	Expert
Worker	Low	Decisive	Low	Low	Expert
Mom and Pops	Low	Decisive	Low	Low	Expert
Entrepreneurs	Moderate	Flexible	Low	High	Transitory

State career view in jobs with little intelligence demand. On the fringes may be some Flexible-style entrepreneurs with high uncertainty tolerance, low complexity needs, and Transitory career concepts. Noticeably absent in this landscape are individuals with Integrative style, high complexity and uncertainty needs, and a Spiral career concept.

PARADIGM SHIFT—FROM INDUSTRIAL TO INFORMATION DOMINANCE

As the corporate giants attacked and devoured each other in the 1980s, analysts increasingly noted the emergence of the Information paradigm. One study pointed to an emerging information society in which middle management would be whittled away, entrepreneurial intuition would increase in organizations, and self-management would prevail.⁹ Another study foresaw a time when work would require higher levels of intelligence and education,¹⁰ with older workers regarded as sources of rigidity and as blocking growth.

One of the most comprehensive portraits of the coming paradigm has been sketched by Robert B. Reich, currently U.S. Secretary of Labor, in *The Work of Nations*.¹¹ Reich clearly sees the demise of the industrial corporation, as robots and low paid foreign workers take over routine production. In its place, he argues, will emerge multinational webs or networks of decentralized groups. These webs will replace volume with value, routine with diversity, and simplicity with complexity.

The key roles in these webs will be played by highly knowledgeable "symbolic analysts" who will continuously look for problems and new ways to solve them or to put teams of solvers and finders together. Power will wither away or be redefined. Reich believes that speed and agility will be critical and that "quick, clever followers" in new technology development will be highly valued.

Reich also identifies two other roles in the new paradigm: in-person service providers, and routine producers. The role of service providers holds some promise for people unable to fit into symbolic analyst roles, but such work may be threatened by labor oversupply and robotics competition. Reich predicts that routine producers will play only a small role as robotics and foreign labor erode profit potential.

Observations about the Information paradigm, which have greatly increased in the past few years, include several articles in *Fortune* magazine. One 1993 article predicts that work will require

constant learning, higher order thinking, variable hours, and service orientation.¹² In addition, the article notes, organizations will become smaller, decentralized networks, with technicians replacing manufacturing workers.

Three work settings will become typical in the information age. The first will be "network webs" or the "elite" structure. These webs will be sets of decentralized, laterally linked teams of Reich's symbolic analysts supported by technicians and interactive computers. Team decisionmaking and empowerment of technicians will be common. Role content will change, and role-shifting will be interspersed with periods of new training. Disciplined boundaries will blur as pay comes to reflect breadth as well as depth.

The issue of power will be quite subtle. Will networks be polycentric, or will they become webs with a control center? Will the brokers who put together the teams (and the deals) have financial control? Will mobility in benefits permit people to move frequently across webs when "control" becomes oppressive? Will power games be played with competence as a basis? (Note that although the network web pattern may reduce power politics, power games will disappear only when the players are non-Linear.)

Another work setting will be small, localized service organizations, such as health care, education, and security agencies, that have a certain degree of empowerment (otherwise robots could do the work). The focus in many secondary entities will be more on emotional work than on intellectual work. These entities will have contractual relations with the big network webs as well as stable connections with individuals. "People skills" will play a major role in service organizations.

The third setting will be production units, perhaps called "robocracies," that will constitute the remnants of manufacturing industries. In these units, robotics will do most of the routine work, with some roles remaining for repair and maintenance people, systems controllers and designers, and top managers who interface with the network webs.

In addition, small entrepreneurial entities will continue to move in and out of the webs. Further, some Expert bureaucracies, such as government and academia, may endure.

Personality Factors in the Information Paradigm

A quite different personality-work pattern from that of the Industrial model emerges in the Information paradigm (see Table

TABLE 6-2
Personality Patterns in the Information Paradigm

	Intelligence Demands of Job	Style	Complexity	Uncertainty	Career
Network Webs					
Market Developers	High	Integrative	High	High	Spiral; Transitory
Product Developers	High	Systemic; Hierarchic	High	Moderately High	Spiral; Expert
Finance Developers (Web Centers)	High	Integrative; Flexible	High	High	Spiral; Linear
Service Entities	Moderate	Flexible	Moderate	High	Transitory
Robocracies	Moderate	Decisive; Flexible	Moderate	Low	Linear; Expert
Entrepreneurs (Modular)	Moderately High	Flexible; Integrative	Moderately High	High	Transitory; Expert

6-2). The skills specified for symbolic analysts are almost a perfect match with the Integrative decision style. To function in the network webs, symbolic analysts will need a high degree of intelligence, a high attraction to complexity and uncertainty, and a Spiral career concept. Although this pattern may seem optimal for the network webs, other patterns may also be appropriate. The heavy emphasis on speed in some organizations may call for action-oriented, adaptive, Flexible decision-style people. However, organizations that emphasize expertise may require individuals who are compatible with the Hierarchic or Systemic-style Expert career concept, particularly in problem-solving roles.

Multiskilled, self-adaptive groups of various decision styles may also emerge in the networks as needed.¹³ These teams comprise people who know when to tap a particular style as needs change.

Secondary service entities may find that there is less demand for high intelligence and that a more Flexible style works best. The complexity and uncertainty needs of in-person service providers may be moderate, except for a highly developed complexity in dealing with people. Career concepts will probably be a mix of Spiral and Expert.

The robocracies may be the last refuge of the old-style Linear/Hierarchic and Decisive manager or staff expert with high struc-

ture and complexity needs. Highly structured maintenance workers with a Steady-State career concept may also find a home in bureaucracies.

THE GAP: THE PRESENT WORKFORCE VERSUS THE NEEDS OF THE INFORMATION AGE

The General Workforce

In general, the emerging Information paradigm will hurt most those with Decisive styles, low tolerance for complexity and uncertainty, and Linear career concepts. But most of these ill-adaptive characteristics are decreasing in society as education levels increase.¹⁴ No particular demographic pattern has been determined for these characteristics.

Among career concepts, however, some generational patterns are quite disturbing. People who entered the workforce at age 20 and before 1960 and are now 55 and older seem to show a classic Linear/Expert career concept. In the 1960s and 1970s, a major revolution occurred in career concepts, in which Spiral and Transitory values became prevalent. Beginning about 1975 and continuing in the 1980s was the yuppie phenomenon, which led to a massive reversion to the Linear concept and a secondary role for the Spiral concept.¹⁵ About 1990 the Linear view faded out and was replaced by "Generation X," whose career concepts are unclear (see Figure 6-2). Some

FIGURE 6-2
Career Concept Changes
by Age Group

Age	
55+	Linear/Expert
45	Spiral/Transitory
35	Linear/Spiral
25	"X" = (Expert?)

current data on MBAs suggest that X may be a new kind of Expert focused on service and improving the quality of life.

The Information paradigm gap in career concepts clearly varies by age group. Members of the Spiral generation of the 1960s and 1970s are entering their 40s and 50s in the 1990s and looking to assume senior positions in the old Industrial-age Linear corporations and Expert bureaucracies. At the same time, the Information-age network webs are emerging in force in America. Thus, for the Spirals, the new Information era is a near-perfect fit, and they are probably shaping the move to the new paradigm.

However, for the two Linear generations, the picture is not as bright. The 1980s Linears, the yuppies, may be able to adjust to rapid changes in the workplace, but they will have great difficulty with the loss of middle management ladders to climb. They will also have problems with the team-oriented empowerment movement. Strong pressure can be expected from this group to revert to a power-oriented hierarchy. The older Linear group dilemma is addressed next.

The Older Workforce

A common stereotype of older workers is that they are slow and progressively less able to handle intellectual tasks. If this stereotype is true, older workers are greatly at odds with the Information paradigm's need for fast, highly intelligent players. Fortunately, study results partially refute this view. Very early research in the 1930s and 1940s suggesting severe intelligence diminution with age was based on comparing different age cohorts. Studies of the same people as they develop over time show slight gains in verbal skills—vocabulary, similarity judgments, and critical thinking—and stability in other areas well past the former retirement age of 65.¹⁶

Although the aging brain gradually deteriorates from a physiological point of view, research shows that the brain can repair these diminutions at up to even 70 years of age.¹⁷ In fact, analysis of brain activity indicates that healthy people in their 80s have activity levels comparable to people in their 20s.¹⁸

Research on memory and learning ability is inconclusive, but work in the 1980s and later suggests that if older people are healthy and motivated, then memory and learning problems are nonexistent or mild.¹⁹ Mental disorder, or dementia, does not become frequent until past age 75 (20 percent incidence), and the disorder does not become a real problem until past 85 (50 percent incidence). The one area where deficiencies occur with age is in speed of information

processing.²⁰ However, this can be compensated for by better and more careful evaluation of information.²¹

These data suggest that if speed is critical in the network web organization, older workers will be hurt. But if older workers are allowed to set their own pace, they can be as productive as any other workers. Further, if depth of knowledge is also needed, older workers can be invaluable assets. In sum, if multiskilled, self-adaptive teams that need expertise are at the hubs of network webs, a place for slower, more careful—and older—workers may exist.

Age and decision style show almost no correlation. In one analysis of age groups across all jobs in an insurance company, absolutely no difference appeared in mean scores in any style.²² Older workers should thus have no more difficulty than younger workers with the Integrative demands of network webs.

Age is slightly correlated with uncertainty adaptation.²³ Older people tend to prefer structure, which ties in with studies showing that the elderly have a bias against risk²⁴ and, more positively, that they have fewer accidents.²⁵ However, researchers have found that in more stimulating environments (e.g., educational settings), older workers do not show such risk aversion.²⁶ This suggests that only older people who do monotonous, repetitive work are likely to be averse to the uncertainty inherent in the Information age.

Studies have not yielded data that link age with complexity preferences. Therefore, analysts cannot yet speculate on whether this area of personality presents a problem for older workers.

The career concepts needed for the Information paradigm will pose problems for the older generation of Linear managers and Expert/Steady-State workers. These people will be in their 60s and beyond during the 1990s. With their retirement age advancing to 70 and many surveys indicating their intentions to retire are declining, these older workers will likely make up a major part of the workforce in the coming decades.

In organizations where older Linears are senior managers, they may seek to halt the new paradigm. However, the low productivity and low profit of the old Linear corporation are increasingly causing boards of directors to remove senior officers who refuse to adapt. Change will clearly be slow in some firms, especially if family owned, but the need for some accommodation between this group of older workers and the new paradigm is extremely important.

It should be noted that the older Linear group will still be housed in the more traditional structures such as *robo*cracies, *some* service entities, and residual organizations from the Industrial era.

CHANGING PEOPLE TO FIT THE INFORMATION PARADIGM

The General Workforce

Maximum gains in intelligence are needed at all levels of society, but change in genetic IQ levels is unlikely. However, maximum use of innate intelligence can be fostered with education, stimulating work, and intellectually challenging use of leisure time.

As many others have argued, if the nation wants to meet the demands of the new Information paradigm, its education programs must be profoundly reexamined. It has already been shown that as work becomes more challenging, actualized intelligence usually rises. Therefore, low standards and routinized training will not serve the new paradigm. Further, for those working in service entities or robocracies, less stimulating work settings could widen the IQ gap between the elite and the rest of the workforce.

While decision styles can remain quite stable over long periods, evidence suggests that work, education, and specific training programs can alter style. As noted here, style has no genetic limits to change. Specific style-change programs have shown that particular styles can be induced. For instance, several courses at the master's level in business schools shifted many less complex styles to a more Integrative level while leaving already complex styles intact.²⁷ Similarly, a more structured program tended to change more complex styles to simpler patterns. Corporate-management development programs have also been successful in decreasing Decisive-style thinking or increasing Integrative-style thinking.²⁸

However, style shifts are unlikely to occur in the right direction without intervention. For example, the stress of rapid change is most likely to produce a shift to a Decisive style precisely when a more Flexible or Integrative mode is needed. Without careful analysis of the distribution of styles in an organization and the design of style-change programs based on this analysis, style changes in relation to paradigm shifts could be in the wrong direction.

Because tolerance for uncertainty is a product of experience, it, too, can be changed. A 1973 study showed that even a drastic program such as basic training for officers could raise an individual's liking for uncertainty (or if unchanged, wash the person out of the program).²⁹

A similar logic holds for an individual's preference for complexity. Although there are no studies on increasing complexity,

theory suggests that programs aimed at gradual change would be successful.

Changing career concepts may prove more difficult. Career concepts and motives seem quite stable over time. Evidence shows that although people may appear to accept career realities at variance with their concepts, they retain their earlier career concepts and motives in a "closet" mode. For example, studies of plateaued workers show that their most frequent response to plateauing may be to work harder rather than to change their career outlook.¹⁰

However, awareness and acceptance of varied career concepts can be achieved through a program of career concept workshops. As an awareness of pluralism grows and assignments are more closely tied to deeper career motives, people can choose career concepts more in tune with their needs. This strategy should be quite successful in moving people to the new Information paradigm.

Dealing with people animated by Linear motives of power and achievement remains a major challenge for the Information age. For the younger yuppie Linears, the Spiral career may offer a promising route. Perhaps their power need can be transferred into a need for knowledge—that is, they can attain influence through "knowledge power," or broadened knowledge, which is the essence of the Spiral path. Perhaps their achievement needs can be transformed from personal to group achievement.

The older Linear issue is examined next.

The Older Workforce

It is increasingly evident that better health and stimulating work eliminate much of the age-related so-called IQ deficit until people are 75 or 80 years old. Thus, the best method for maximizing older workers' intelligence would seem to be increased corporate emphasis on wellness and the enrichment and empowerment of current jobs.

In terms of the speed of information processing, barring physiological breakthroughs, the concept of an adaptive, multiskilled team that can accept an older, slower, but more thoughtful and experienced person may be very useful. In addition, many service entities may emphasize quality over speed and therefore may welcome older workers, particularly when the organization serves other older people.

In the decision style area, older managers can make changes in their style, as the studies cited here have shown. The intelligence data

on the slower, more thoughtful decisions of older workers suggest that reducing their Decisive styles and inducing more complex styles may not be too difficult. It remains to be seen, however, what types of experience or training will work best for style changes in older workers.

Similar comments hold true for cognitive motives. A link between fear and intolerance of uncertainty is often found in studies of cognition. As better health care and portable benefits become available to older workers, perhaps anxiety will decline in this age group, resulting in a decrease in their need for structure. Further, the concern that older workers are risk-averse may diminish as people whose work experiences have not been simple or routine move into the older group.

The problems of a career concept fit for older workers seem formidable. However, for those with an Expert orientation, meeting the challenge of the new paradigm may not be too severe. With security from pensions and Medicare, these workers can act as technicians in robocracies, as contractors for networks webs that need to hire expertise, or as resource experts in teams inside the networks. If the networks develop tolerance for diverse career concepts, these older Experts can become vital repositories of experience, critical to maintaining a web's strategic advantage.

Some older Linears can hold on in the residual corporations and bureaucracies of the old paradigm. Others can take over newer robocracies or manage service entities. But if they are in the networks, they may become obsolete yet be unwilling to retire.

One promising recourse for many older workers may be a shift in career concepts, triggered by their success as Linears. Such a shift could yield new interests in mentoring or in developing the potential of others.³¹ Success could also lead to a search for personal creativity in new fields. The theories of Carl Jung support such a Spiral transition as a "natural" event occurring after age 50. Jung asserts that a detachment from external achievement and a focus on inner self-actualization may be part of human development.³²

For the plateaued or unsuccessful older Linears, shifting career concepts may be quite a challenge, given their resistance to change. Perhaps they could play a meaningful role as advisors or consultants to the network webs, which would appeal to their Expert backup pattern. They would need to be handled as Linears—that is, in a clearly defined path of increasingly important advisory roles with attendant salaries.

WHAT NEEDS TO BE DONE

The basic premise is that, for all people, intelligence should be maximized; complex and/or Flexible decision styles, in addition to extant Decisive styles, should be encouraged; motivation for complexity and uncertainty should be generally high; and non-Linear career thinking should be strongly enhanced. This can be accomplished in several ways.

- Because the U.S. education system is in need of significant reform, schools from kindergarten to the graduate level must develop ways that enable students to maximize their IQs; to use complex information and to think in a multi-focused, creative way; to enjoy uncertainty and complexity; and to view a career as a journey of self-development that crosses many fields without sacrificing depth.
- Organizations need to develop an awareness of the diagnostic approach to change. Specifically, organizations should begin to use assessments to determine abilities, styles, motives, and career concepts. They should use interventions that will aid different types of people facing change.
- Organizations need to build support for pluralism in culture, giving value to multiple styles. Alvin Toffler calls this idea "flex form."³³ In particular, organizations should support and reward all non-Decisive and non-Linear employee personality patterns.
- Continuing education must become a major priority as people pursue multistage careers. Continuing education may become indispensable in helping young and old to shift career concepts, styles, and even motives.
- Media must become more responsible for their effects on personality. Media content should be of high quality, aimed at enhancing intelligence, providing support for more complex, flexible thinking, and valuing careers other than those of the Linear power seekers.
- The U.S. government should support these goals. New education modes need financial support; companies that invest in worker diagnosis and experiments in solving problems need tax support; higher quality media such as public broadcasting need support. The government should lead the way by using the approaches suggested here in its own agencies, as the National Aeronautics and Space Administration has begun to do. The government should also work with the

United Nations and with other governments to improve education, media, and work conditions in the Third World as globalization increases.

ALTERNATIVE SCENARIOS

If the processes to facilitate change described here are not enacted, several patterns might be expected.

- The combined younger and older Linears may roll back the network structures into the old hierarchies—possibly preserving the appearance of participative process. If this scenario occurs, the more Integrative Spirals may migrate to other countries (e.g., Scandinavia) where Linear values are not prized, leaving the U.S. economy in real trouble.
- The gap between the elite workers in networks and poorly educated workers—fed by mass media and unfit for network jobs—will increase. This will create the potential for violent confrontation as the two workforces and their compensation levels increasingly diverge.
- In a similar vein, a divergence between an elitist, Information paradigm Developed World and a Third World ghetto of robocracies and servile service entities could occur, resulting in violence and terrorism on a global scale.
- Instead of turning to violence, the nonelites may turn to leisure activities to compensate for inferior, less challenging work. The result may be the emergence of a subculture of "lotus eaters" who put their energies into escape mechanisms. If this subculture develops, the prospects for solving planetary problems will be dim.

CONCLUSIONS

Two caveats are in order. First, this chapter has examined only some of the crucial personality factors related to work, omitting, for example, important social qualities. Second, the analysis is based on a best estimate of trends. For instance, not all managers from the older age group are Linear or Decisive or indeed fit any one pattern.

This discussion has argued that established, reliable measures must be used to identify key attributes of workers making transitions to new work settings and that intervention must be based on such knowledge.¹¹ There should be concern about the panacea and "kitchen-sink" approaches frequently used in dealing with change.

The panacea approach advocates one treatment for all people—for example, "Start job rotation for all employees to prepare workers for change." Obviously, for a very Decisive person with a low need for uncertainty and complexity and a strong Expert orientation, job rotation would be disastrous.

The kitchen-sink approach advocates a wide array of interventions for all people. This may be even more dangerous than the panacea approach because certain types of people may be helped by one treatment but destroyed by five others.

Tested methods exist to diagnose worker personalities, as do some of the interventions needed to change personality to fit the new conditions. As the Information paradigm takes hold in America, tested approaches to worker change at all age levels are essential if society is to avoid the failures and even the violence that attended prior paradigm shifts in the work environment. The Information Revolution cannot be met by the same uninformed processes that attended the Industrial Revolution. Only when the key abilities and motives of any segment of the workforce are understood can workers be appropriately helped to make the transition to a new work paradigm.

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PART III

**Implications for Policy
and Practice**

A New Social Contract

by Ray Marshall

"The aging of the American workforce creates a sense of urgency for a new social contract to encourage equity and high productivity economic strategies. It is particularly important to achieve these objectives while baby boomers are able to make their most effective economic contributions."

The term a "new social contract" is in a sense misleading because the United States has been too fragmented, too polarized, and too individualistic to forge an explicit social contract. Americans have sometimes set aside their differences long enough to form implied social contracts, but only in national emergencies. America's last significant unifying experience was World War II, when the nation was committed to an all-out war effort. Because all-out wars are unthinkable in a nuclear age, it clearly is in the national interest to develop a social contract to provide, in the words of the philosopher William James, the "moral equivalent of war."

The value of such an accord can be seen in the results of the implicit social contract in place during the relatively prosperous period between the late 1930s and the early 1970s. During those years, support was strong for measures such as social safety nets—including unemployment compensation and other worker protections, progressive income taxes, and collective bargaining—to improve the conditions of low and middle income groups. This implicit contract was reinforced by the growing bipartisan agreement that Keynesian monetary and fiscal policies were needed to keep the U.S. mass production system operating at near capacity.¹ Social consensus was achieved partly because of back-to-back national emergencies—the Great Depression and World War II. As the postwar experiences of Germany and Japan suggest, national unity is often achieved by external threats or exigencies.

ISSUES AT THE NCOA-NPA SYMPOSIUM:

Participants' Concerns . . . Author's Responses

James A. Auerbach (Vice President, National Planning Association) asked why relatively few companies in America have adopted the high performance model if it is such a good idea. Marshall responded that companies' primary responsibility is to maximize profits, which they can accomplish by cutting wages, by transferring jobs to low wage areas, or by trying to improve productivity and quality. Companies tend to restructure only when they face a life-or-death threat. In a period of high real interest rates and an uncertain economic environment, most companies take a short view. Further, Marshall said, some companies ship much of their high skill work outside the United States, even to areas of higher wage rates, because they cannot find enough U.S. workers who have learning skills and who can understand the technology. The U.S. education system may produce engineers, but it does not produce noncollege graduates who can compete with German or Japanese high school graduates in the Information era. Technological progress really means substituting ideas, skills, and knowledge for

physical resources. However, said Marshall, the United States does not have a social contract that encourages investments in human capital to enable companies to become more competitive.

Bert Seidman (Consultant, National Council of Senior Citizens) asked Marshall if he thought his recommended social contract would have a favorable or an unfavorable impact on older workers. Marshall replied that, for baby boomers, a reevaluation of current policies will create better opportunities for them to continue to work after reaching age 65. However, if the economy is stagnant when the baby boomers are due to retire, most will be unable to support themselves unless they continue to work. Marshall pointed out that the situation of minorities in particular will only worsen as they age unless steps are taken now to improve their access to education and their ability to make productive contributions. One myth in this country, added Marshall, is that the problems of the elderly "are not my problems." Avoiding these issues, he stressed, will impose costly burdens on national resources.

The theme of this chapter is that under modern conditions, whether the United States is able to realize its full potential as a prosperous and democratic society could depend on its ability to forge a national consensus on basic social and economic objectives.

OBSTACLES TO NATIONAL UNITY

Unfortunately, the outlook for national consensus is not very encouraging. Because the country's economic success depended on a social contract less in the past than it does today, many Americans believe that the nation can continue to "muddle through" without a consensus-based strategy. Evidence suggests, however, that the demands of a global economy make such a national strategy more, not less, important. America's ability to achieve consensus also could be impaired by growing racial and ethnic conflict and the aging of the predominantly white baby boom generation. The urgency of the problem is heightened by the rapid increases in the number of much younger minority populations. In fact, sometime during the next century, non-Hispanic whites will become a minority in the United States. Today's minorities already represent over 50 percent of the growth in the workforce and constitute large majorities in the public schools of almost all major cities. Racism is a substantial barrier to national unity. It could make unity difficult, if not impossible, unless Americans act now to institutionalize equal economic opportunity as part of a social contract.

The rapid polarization of incomes after the early 1970s constitutes another major barrier to national consensus.² Widely unequal distributions of income and wealth fragment economic interests. The affluent, who can send their children to private schools and afford expensive medical care and other services, see little need to share a common purpose with less fortunate groups. Further, many higher income people develop theories to blame the poor for their own problems and to deny the efficacy of public policies designed to help them. These theories strengthen opposition to the public investments in human resources that the nation needs to be successful in a highly competitive, knowledge-intensive global economy.

At the same time, proponents of public intervention often intensify adversarial political processes by exaggerating the effectiveness of public programs and absolving low income people of responsibility for their problems. Thus, a new social contract must be realistic about what public intervention can do, and public policies should be designed to help disadvantaged people take greater responsibility for their own and their children's welfare. A new social contract would, moreover, attempt to build a sense of community and mutual interest by developing agreements on the facts and avoiding casting blame.

In the United States, a social contract is made more difficult by what probably are the most elitist education and work environments of any major industrial country.³ Thus, a new social contract must recognize the importance of world-class public schools in obtaining quality education for all Americans. Such schools could help promote national unity by providing a common interpretation of the past and a shared vision of the future.

All of these barriers to national consensus were exacerbated by the rebirth of a *laissez-faire* economic ideology during the 1980s. A realistic consensus would include a more balanced recognition of the importance of both effective public policies and competitive market forces.

U.S. STRENGTHS

However, the desire is not to exaggerate the problems because, despite some negative trends and daunting challenges, the United States still has many advantages based on its wealth, racial and ethnic diversity, economic dynamism, and economic successes. The country has enormous economic, social, and political advantages because of its multicultural, multiracial society.⁴ But to reap these benefits America must avoid the deadly consequences of racial and ethnic conflict. Similarly, its future depends heavily on creating conditions that allow the baby boomers—the most privileged generation in the nation's history—to realize their full potential and therefore prepare for the enormous increase in health care and other costs that their retirement will entail in the early decades of the 21st century.⁵

THE CHALLENGE

The welfare of all, especially of older, Americans will depend significantly on the nation's overall economic performance. The economic welfare of the present cohort of older citizens has improved significantly because they entered the workforce during America's "golden age," a period between 1940 and 1965 of unprecedented growth in productivity and total output. Because of the economic prosperity of that time and because of the political unity of older Americans, the accumulation of wealth and federal transfer payments did much to improve their economic condition. Today, single mothers, minorities, and children suffer by comparison because of their limited political power, the stagnation of the nation's economy, and

the growing inequality of wealth and income that occurred in the 1970s and 1980s. Because support for retirees comes chiefly from active workers, the education, health, and motivation of today's children will determine the welfare of tomorrow's retirees, especially the large baby boom generation born between 1946 and 1965.

Numbering over 80 million in 1990, the baby boomers are the largest and best educated generation in the history of the United States. It is not surprising, therefore, that this group's average household income in 1989 (\$33,300) was higher than that for all U.S. households (\$28,900). However, significant diversity exists within the baby boom cohort: the median income of single-parent families was only 60 percent of the income of married-couple families, and the median income of black baby boomers was only 60 percent of that of their white counterparts.⁹ In addition, studies show a substantial difference between the experiences of the more fortunate members of the leading edge of the baby boom (born between 1946 and 1954) and those of the more numerous and less fortunate trailing edge (born between 1954 and 1965). The trailing edge faced tougher competition for education and job opportunities.

When the baby boomers grew up, the leading edge precipitated the baby bust by delaying marriage and childbearing, while the trailing edge produced the large baby boom echo cohort. Birthrates of children born to the baby boomers, however, remained lower than birth rates from 1945 to 1965. But because of the sheer numbers of the baby boom generation, its members produced a large cohort of children as they began forming families in the 1980s.

America's economic future thus depends heavily on its ability to form sufficient national consensus to support the investments in younger generations (especially minority children, a rapidly growing population) required to substantially improve the growth in productivity and output and to substantially narrow widening gaps in wealth and income. Unless the nation improves its economic performance and develops measures providing better opportunities for all people to support themselves, it will reach a point early in the 21st century when the financial burdens of retirees will impair the economy's ability to maintain or improve incomes.

The trends are not encouraging. Since the early 1970s, productivity growth has been stagnant, real wages have declined, and wealth and income inequalities have reached unprecedented levels. The incidence of poverty increased again after declining during the 1960s—especially among minority households and those headed by single women. In addition, the implicit economic policy accord that

contributed to the long period of prosperity, relatively equitably shared, between the late 1930s and the early 1970s was shattered by technological and demographic changes as well as intensified international competition.

The demise of the New Deal, or Keynesian, consensus created a political and intellectual opening for supply-side economics and monetarism, with negative consequences for the nation's economy and for the economic welfare of all but the wealthiest Americans. The clear failure of supply-side economics and monetarism has created opportunities for the Clinton administration to develop sounder policies based on a new consensus and a more explicit social compact.

A CHANGING ECONOMY

The need for a new social contract is rooted in changes made in the U.S. economy after World War II. The nation's economic preeminence during the early part of the 20th century was based on an abundance of natural resources, economies of scale made possible by a large and growing internal market, supportive policies and institutions, and favorable trends. Although the *laissez-faire* ideology gave business significant freedom from government controls, economic policy was characterized more by creative pragmatism than by *laissez faire*. The federal government protected business from international competition and established supportive banking and legal systems. It created land grant colleges and agricultural experiment stations for commercial farmers and worked with the private sector to knit the huge American market together with transportation and communication infrastructures.

What some analysts consider an important departure from the country's largely pro-business policies came during the New Deal. The changes, despite bitter business opposition, actually did much to strengthen businesses, especially those in large oligopolistic mass production industries. The main economic problem addressed by the New Deal was the tendency for production to outrun demand under administered, or oligopolistic, pricing arrangements. To rectify this situation, the federal government developed Keynesian monetary and fiscal policies to sustain aggregate demand.

Indeed, while social policies protected workers and their dependents from the worst consequences of business cycles and arbitrary business decisions, these policies helped business by maintaining aggregate demand and contributing to price stability. Thus, public policies encouraged unions—partly to give workers a

greater voice in the rules governing wages, hours, and working conditions and partly because collective bargaining helped sustain demand and prevent periodic recessions and depressions.

Federal support for collective bargaining nevertheless did little to reduce managerial control of business decisions. Similarly, income-maintenance programs not only sustained demand during recessions but also helped companies by, in effect, subsidizing wages during layoffs. Wage subsidies from unemployment compensation and other income-maintenance programs were never large enough to seriously interfere with work incentives, despite conservative criticisms to the contrary.

World War II appeared to justify the New Deal paradigm. Despite the allocation to the war of many of the nation's human and material resources, productivity growth from mass production helped to make most people better off materially in 1945 than they were when the war started. In fact, New Deal policies and World War II ushered in the longest period of relatively equitably shared prosperity in U.S. history.

THE END OF THE KEYNESIAN PARADIGM

The New Deal (Keynesian) economic paradigm was nevertheless unable to handle the problem of inflation initiated by supply-side price shocks. Indeed, by adopting "full employment" strategies, Keynesian policies actually had an inflationary bias. Unfortunately, the only tool available to federal policymakers who dealt with the inflation of the 1970s was to induce high levels of unemployment—an inefficient and costly remedy. Similarly, in the 1970s American policymakers had no mechanism other than inflation to achieve the reductions in real incomes required by external oil price shocks. Countries with social contracts dealt with both inflation and unemployment problems much more equitably and efficiently than the United States.

Whatever consensus the United States had on economic and social policy, the accord was also weakened by the reduced effectiveness of monetary and fiscal policy in a global, technology-intensive economy. The internationalization of financial markets has made the money supply much more difficult to control. Because money has become anything that anyone will accept as payment, anyone can create it. But no one can control it with much precision. Similarly, fiscal policy no longer has as much capacity to reduce unemployment by stimulating national economies. In the United States, the

1960s tax cut reduced unemployment; but in the more competitive and global economy of the 1980s, tax cuts were much less effective because of foreign imports.⁸ In this environment, direct public expenditures on infrastructure and human resource development would have been more effective, but such an option was incompatible with the laissez-faire ideologies of monetarism and supply-side economics, the conflicting wings of Reaganomics. The diminished effectiveness of the Keynesian paradigm weakened support for collective bargaining, progressive income taxes, unemployment compensation, income support programs, and other New Deal measures designed to maintain demand.

Internationalization and technological innovations likewise changed the viability of the dominant mass production system that contributed so much to U.S. economic success. As noted above, technological innovations essentially involve the substitution of ideas, skills, and knowledge for physical resources. For example, American agriculture today uses fewer physical resources than it did in the 1920s. Yet outputs have tripled and quadrupled, depending on the crop, through the use of modern technology and production methods.⁹

Peter Drucker provides another dramatic illustration of this process.¹⁰ The strategic product of the 1920s, he notes, was the automobile, consisting of 60 percent energy and raw material and 40 percent ideas, skills, and knowledge. The strategic product of today is the computer chip—which is 98 percent ideas, skills, and knowledge and 2 percent energy and raw material. Further, the raw material is chiefly sand, one of the earth's most plentiful materials.

Technology also changes the size and structure of the most efficient enterprises. It is now possible to have flexible systems with greater economies of scale and scope than the large mass production systems of the 1950s and 1960s, which were oligopolistic and capital intensive. In an increasingly competitive environment, moreover, firms that attempt to adjust to change by laying off workers and maintaining prices will quickly lose market share to firms that maintain capacity and employment and adjust prices. This is one reason that American oligopolies lost market share to more flexible competitors in every business cycle after the 1960s.

PRODUCTIVITY OR WAGE COMPETITION?

International competition likewise changes requirements for economic success—for people, countries, and companies. Nations

can compete in only two ways—by reducing wages and other costs directly or by improving quality and reducing costs indirectly through higher productivity. Most industrial countries have rejected the low wage option because, as the U.S. experience shows, it leads to lower real wages and more unequal income distributions for most workers. Industrial countries rejecting the low wage option also understand that it limits improvements to working harder and longer. Since the early 1970s, the working time of the average employee in the United States has increased by the equivalent of one month a year.¹¹ This option is clearly self-limiting because the nation has only so much labor and people can work only so many hours.

Most major competitors also understand that the growing inequality of wealth and income implied by the low wage option poses a very serious threat to economies, politics, and societies. Because America—almost alone among the major industrial countries—is pursuing the low wage option, U.S. incomes are much more unequal than those of most other developed democracies. As noted above, many problems are hard to solve if incomes are extremely unequal, chiefly because it is hard to build consensus when high income groups are unwilling to make the social investments required for the high income option.

A HIGH PRODUCTIVITY STRATEGY

What is required for the high productivity, high income option? The first requirement is a consensus-based strategy. Consensus is necessary to gain public support for the policies to achieve that objective. A strategy is required because market forces will automatically produce the low wage option. Indeed, market forces tend to accelerate trends. This tendency fostered high rates of growth in productivity, output, and incomes during the early part of this century, when most of the trends were "virtuous" and mutually reinforcing. During the 1980s, by comparison, market forces accelerated many more negative, or vicious, trends, which have continued into the 1990s. The institution of measures is required to discourage corporations from pursuing the low wage option. Measures that must be enacted include high minimum wages, collective bargaining, and other forms of worker participation. The nation also needs social safety nets, especially national health insurance, to discourage low wage competition.

Indeed, the lack of a national strategy, weaker social safety nets, and more limited legal measures to empower workers are major

reasons that, relative to other industrialized democracies, so few American companies have restructured for high performance.¹² For example, it would be very difficult for a Japanese or European company to pursue a low wage strategy. The power of workers to resist reductions in their living standards, high income support programs, legal restrictions on discharge, full employment strategies, and worker-adjustment programs provide workers in other countries with alternatives to low wage employment. The United States has had faster job growth than most other industrialized countries, but it has been less concerned about the quality of jobs. In fact, during the 1980s most U.S. national policies encouraged companies to pursue low wage strategies. Other policies to encourage the high productivity option include:

- stable, consensus-based macroeconomic policies to reduce real interest rates and induce high levels of investment;
- education and training to produce a highly skilled workforce;
- supportive infrastructures, especially leading-edge information systems; and
- market policies that encourage rivalry to prevent predatory pricing by domestic and foreign producers while encouraging cooperation on common interests like training and the development of leading-edge technology.

In short, public policies can create the conditions that make it possible and necessary for companies to concentrate on improving productivity and quality instead of following a natural tendency to compete primarily by direct cost reductions, usually by lowering wages. Public policy intervention also is needed because the successes of the mass production/New Deal paradigm produced deeply entrenched policies and institutions that have resisted change.

HIGH PERFORMANCE ORGANIZATIONS

Growing worldwide evidence suggests that to improve productivity and quality, companies must develop high performance organizations. A growing international consensus says that this type of firm must:

- have highly participative and lean production systems in which decisions are decentralized to workers at the point of production;

- develop and use leading-edge technologies¹³;
- provide high levels of education and training for front-line workers; and
- stress positive incentives that reward workers for improving productivity and quality.¹⁴

High performance organizations stress flexibility, productivity, and quality—all of which are closely related. Flexibility and speed of adjustment are clearly important in a more dynamic, rapidly changing global economy. Under modern conditions, successful enterprises must adapt quickly to new markets and technologies. Productivity improvements introduce ways to avoid the leading competition strategy of reducing wages. With productivity growth, enterprises can simultaneously reduce unit labor costs and maintain or increase wages. However, productivity improvements can no longer be achieved mainly by economies of scale from traditional mass production systems. Instead, improvements will come from greater efficiency in the use of all factors of production. Traditional mass production companies have enormous inefficiencies in the use of physical and human resources that can be offset by economies of scale and oligopolistic pricing. Under modern conditions, however, such pricing is no longer possible, although companies can achieve higher returns, or "rents," from technological, product, or organizational advantages not readily available to competitors. Economies of scale also continue to be important. They are necessary to recover research and development costs and are achieved in a global context, not, as formerly, in controlled national markets.

Quality—best defined as meeting customers' needs in design, speed of delivery, customization, dependability, or other attributes—is a driving force in highly competitive economies with rising incomes. It should be noted, moreover, that customers may be inside as well as outside firms. Traditional, less competitive mass production economies are producer driven and clearly will be less viable in modern customer-driven economies. Quality becomes more important because customers have more knowledge, income, and options. Many American companies have been surprised to discover that high performance organizations make it possible simultaneously to improve productivity and quality; in traditional mass production systems, quality and productivity are more likely to be viewed as tradeoffs.

Studies also reveal what seems to be a growing consensus about the skills that front-line workers need for high performance.¹⁵

Skills required include the ability to impose order on chaotic information, to deal with ambiguity, to manage one's own work, to innovate, to communicate with precision, to work with other people, to adjust to change, and to learn.

The learning skill is extremely important because, under modern conditions, the most successful organizations will be those with superior learning systems. Traditional mass production systems have hierarchical management systems that impair and minimize learning as they:

- hoard information;
- stress price competition with suppliers;
- relegate front-line workers to repetitive, routine tasks that require little learning;
- stress stability through contracts, rules, and regulations instead of flexibility; and
- encourage adversarial relations between workers and managers.

In systems that are dynamic, global, and knowledge intensive, learning is likely to be obtained by using abstract symbols rather than by direct observation. However, the ingredient of performance is as necessary in learning processes as is the manipulation of abstract symbols.

International and historical evidence, as well as logic, also suggests that a high performance organization needs the worker with an independent source of power relative to that of the manager. Independent power is needed to protect workers from arbitrary management decisions and to provide an equitable sharing of the gains flowing from high performance organizations. Employees are unlikely to go all out unless they can protect themselves from the adverse consequences of doing so. Moreover, the relationship between managers and workers is inherently both cooperative and adversarial. The challenge in a high performance organization is to maximize cooperation and minimize conflict. However, experience and logic point to the difficulty in maintaining cooperative relationships among parties of unequal power.

IMPLICATIONS OF AN AGING WORKFORCE

What are the implications of an aging workforce for high performance organizations? Evidence suggests that the answer to this question depends primarily on national and business policies

and not on any innate characteristics of older workers. Institutions have biases against the employment of older workers that are probably related to earlier economies in which physical strength and agility were much more important than the ideas, skills, and knowledge that are the main sources of success in today's economies. Differences in cognitive skills between older and younger workers do not appear to favor younger workers systematically.

Nevertheless, many American employers are reluctant to invest in older workers because they believe that older employees have less working time—time needed for companies to recoup training investments. It must be noted, however, that because of the tenacity of tradition in mass production processes, few among this nation's employers invest in front-line workers. Investments are rare regardless of worker age or of data showing that companies reap high yields when they invest in human resources.¹⁶ If the United States were to adopt national policies of full employment and high productivity, a skill shortage could induce companies to develop measures to employ and retain more older workers.

CONCLUSIONS AND IMPLICATIONS

The evidence suggests that very few American companies organize for high performance. Most compete by direct reductions in labor costs and by downsizing rather than by producing greater outputs with the same workforces or expanding productivity, employment, and market share. Much larger percentages of companies in other nations organize for high performance. The main reason for the differences is that most other industrialized countries and some developing nations tend to actively discourage the low wage option.¹⁷

A second reason for the failure of U.S. corporations to organize themselves differently is the prevalence of hierarchical, elitist management systems that worked reasonably well in the past, but that are grossly inadequate for high performance in a more competitive, knowledge-intensive world.

The American school system reflects industry. The United States spends a larger proportion than most other industrialized democracies on college-educated elites and a smaller proportion on younger students.¹⁸ The nation's schools were designed to mass-produce basic skills for immigrants', migrants', and workers' children and to channel other children into the elite college track.

Further, U.S. society probably has the worst school-to-work transition system for those not entering college than other industrial countries that do much more than the United States to provide technical skills for such students. Other nations also have fewer financial barriers to postsecondary education. In addition, most U.S. company training and education programs concentrate resources on managerial and technical training, doing little for front-line workers.

The United States is unlikely to have high performance organizations unless front-line workers have the quantitative, technical, and learning skills of the high order needed for the development and use of leading-edge technology and for active participation in production and business decisions at every level. Unfortunately, almost all of America's learning systems perpetuate low wage competition and an increasingly fragmented workforce.

The family is the most basic learning system, but here again the United States compares unfavorably with other countries. A much larger proportion of children live in poverty in America than in Japan or any country in western Europe.¹⁹ Further, with some notable exceptions, poor families are not good learning systems. The United States also does much less than most other countries to overcome the negative consequences of low incomes and family instability on children and single mothers.

Thus, to continue to be a prosperous country with strong democratic institutions, Americans must fashion a new social contract that will do much more than before to balance individualism with a sense of community. Such a contract would:

1. develop an explicit high productivity, high income strategy;
2. stress sustainable development by requiring companies to internalize the costs of protecting the environment and employees' health at work;
3. strengthen workers' power to participate in workplace decisions through collective bargaining and other means²⁰;
4. provide greater opportunities for families to maintain and develop themselves, but stress the responsibility of families and individuals to take advantage of opportunities to develop themselves and help their children;
5. recognize the importance of equity as well as efficiency in avoiding racial, ethnic, gender, and generational conflict;
6. stress the need for high performance governments that are client driven, with lean management systems and a high degree of worker participation and positive-incentive structures; and

7. give high priority to investments in the health and education of all people.²¹

It would not be hard to show how the United States could pay for the investments required by such a contract. America is not a poor country, and it is not overtaxed. Indeed, Americans are among the least taxed people of any Organization for Economic Cooperation and Development (OECD) country—the U.S. government would raise approximately \$450 billion per year in additional public revenues if it levied the average taxes of OECD countries. Unfortunately, during the 1980s, the U.S. political system greatly increased the size of the federal budget deficit and created a dangerous bias against public investments. The political system also seems to have built a consensus that the United States cannot afford the investments in its people or in its infrastructure that are needed to restore growth in productivity and equitably distributed incomes. Some believe that this is a dangerous consensus and hope that Americans can establish a consensus for a high income, equitable social contract that will help achieve the nation's potential as a prosperous, democratic country.

If a new social contract is to restore growth in productivity and total output, Americans should not ignore the importance of an appropriate balance between policies and market forces. Competitive markets are important institutions, but they cannot do everything. They are especially inept at developing new technologies, promoting equity, and developing critical human resources. Market forces therefore function best within the context of supportive policies.

The aging of the American workforce creates a sense of urgency for a new social contract to encourage equity and high productivity economic strategies. It is particularly important to achieve these objectives while baby boomers are able to make their most effective economic contributions. If economic performance is not improved before the early decades of the 21st century, the costs of supporting retiring baby boomers could impose debilitating burdens on national resources. These consequences would exacerbate generational, racial, and ethnic conflicts—further fragmenting society and impairing the quality of life as well as economic performance.

THE GLOBAL CONTEXT

High incomes and more equitable opportunities for Americans will also require a global strategy. Productivity improvements

within firms will often result in declining employment in those companies. Expanding employment opportunities will therefore require the creation of jobs in new industries or the expansion of existing industries. These conditions will, in turn, necessitate continuous improvements in technology and products as well as the introduction of new products and global expansion.

A major problem for the world economy in the 1990s is the absence of an international "engine of growth." During the 1950s and 1960s, the United States could stimulate other economies because of its size relative to the global economy. But although the U.S. economy continues to be the world's largest, its relative decline now requires greater economic cooperation to achieve global expansion. Unfortunately, America's ideological exceptionalism and its habit of taking unilateral international actions have not equipped it very well for the role of global cooperative leader. Nevertheless, America must perform this role to achieve a prosperous domestic economy. The nation is unlikely to achieve prosperity by producing for the U.S. economy alone. Nor are industrial economies likely to achieve full employment and high incomes mainly by trading primarily with each other.²² The prosperity of industrialized nations thus depends heavily on trading with, and investing in, developing countries whose growth during the 1970s enhanced the global economy. The evolution of nonindustrial nations during the 1980s was impeded by huge external debts, which developed countries have done little to reduce. Stagnation in developing countries, in turn, caused stagnation and the loss of millions of jobs in the United States and other industrialized countries.

It is therefore in the interests of the United States to work with other governments to modernize international institutions and policies to promote an open and expanding global economy. Modernization is required because international institutions are based on the realities of the 1940s and 1950s, not the 1990s. Moreover, most international institutions encourage low wage competition, which is as much of a loser for the global economy as it is for a country. Such policies imply that international wage gaps are narrowed by reducing wages in the developed countries. But the emphasis in a high productivity strategy, by contrast, is on reducing income gaps by raising wages in low wage nations.

Indeed, low wage competition could be to the 1990s what beggar-thy-neighbor tariff policies were in the 1930s—a source of international friction and poor economic performance. International institutions would do much better to base policies on high

productivity strategies, thus allowing all countries to maintain and improve wage rates. While much more is required, a good beginning would be to include environmental and labor standards in the General Agreement on Tariffs and Trade (and in the world trade organization that will supersede the GATT in 1995) and in the North American Free Trade Agreement, as well as in the activities of the International Monetary Fund, the World Bank, and other international institutions.

This exploration of the importance of and prospects for a new social contract has a pessimistic tone that implies that the nation is unlikely to achieve such a contract. But achievement is possible if Americans can create a greater sense of community and build consensus on dangers in present trends as well as on opportunities available in alternative high productivity strategies. It is difficult to imagine a subject more important for the future of Americans and their children.

NOTES

1. This consensus was symbolized by former President Nixon's declaration following the successful Keynesian tax cut of the 1960s that "We are all Keynesians now."

2. L. Mishel and J. Bernstein, *The State of Working America* (Armonk, N.Y.: M.E. Sharpe, 1992-93).

3. R. Marshall and M. Tucker, *Thinking for a Living: Education and the Wealth of Nations* (New York: Basic Books, 1992).

4. The United States reflects the global population mix better than any other major developed country.

5. An indication of the magnitude of this challenge is suggested by the fact that the number of Americans over age 65 is expected to increase from 30 million in 1990 to 65 million in 2030.

6. L.F. Bouvier and C.J. DeVita, *The Baby Boom: Entering Midlife* (Washington, D.C.: Population Reference Bureau, November 1991), pp. 23-24.

7. M. Bruno and J. Sachs, *Economics of Worldwide Stagflation* (Cambridge: Harvard University Press, 1985).

8. Foreign imports accounted for over 95 percent of the increased demand for capital goods and over one-third of the increased consumer demands resulting from the tax cuts (M. Lower, "The Industrial Economy and International Price Shocks," address at the meeting of the Association for Evolutionary Economics by the association's president, New York, December 29, 1985; and R. Marshall, "Commons, Veblen, and Other Economists," *Journal of Economic Issues* 27 (2, 1993): 301-22).

9. T.W. Schultz, *Investing in People: The Economics of Population Quality* (Berkeley: University of California Press, 1988).

10. P.F. Drucker, *Managing for the Future: The 1990s and Beyond* (New York: Dutton, 1992).

11. I.B. Schor, *Overworked American* (New York: Basic Books, 1991).

12. National Center on Education and the Economy (NCEE), *America's Choice: High Skills or Low Wages*, Report of the Commission on the Skills of the American Workforce (Rochester, N.Y.: NCEE, 1990).

13. Leading-edge technologies are necessary because globalization makes standardized technologies available everywhere. High income countries, therefore, must continually improve technologies and products to avoid wage competition.

14. Positive incentives are needed because high performance organizations give workers a great deal of discretion. High performance organizations thus substitute positive material and nonmaterial incentives and clear goals and objectives for rules, regulations, supervisors, and inspectors.

15. Marshall and Tucker, *Thinking for a Living*; Modernization Forum (MF), *Skills for Industrial Modernization*, Report of the Modernization Forum Skills Commission (Washington, D.C.: MF, 1993); L. Resnick, *Education and Learning to Think* (Washington, D.C.: National Academy Press, 1987); and NCEE, *America's Choice*.

16. A.P. Carnevale, *Human Capital: A High-Yield Corporate Investment* (Washington, D.C.: American Society for Training and Development, 1983); L.A. Lillard and H.W. Tan, *Private Sector Training: Who Gets It and What Are Its Effects?* (Santa Monica: The Rand Corporation, March 1986); and Schultz, *Investing in People*.

17. The countries understand that undesirable political, social, and economic outcomes are derived from policies encouraging wage competition and that such support is tantamount to subsidizing inefficient companies. Because the United States has been ideologically opposed to economic strategies, it has drifted into the low wage option.

18. M.E. Rasell and L. Mishel, "Shortchanging Education: How U.S. Spending Lags Behind Other Industrial Nations," Briefing paper for the Economic Policy Institute, n.d.

19. R. Marshall, *Losing Direction: Families, Human Resource Development, and Economic Performance* (Milwaukee: Family Service America, 1991).

20. For a discussion of this point, see R. Marshall, *Unheard Voices: Labor and Economic Policy in a Competitive World* (New York: Basic Books, 1987).

21. Quality education through high performance learning systems should be available throughout life. A world-class society should recognize the high yield potential for human resource investments and remove the financial barriers to learning at every level.

22. R. Marshall, "Jobs: The Shifting Structure of Global Employment," in *Growth, Exports and Jobs in a Changing World Economy: Agenda 1988*, ed. J.W. Sewell and S.K. Tucker (Washington, D.C.: Overseas Development Council, 1988).

Aging and Competition: A Policy Action Agenda

*by James A. Auerbach
and Joyce C. Welsh*

The preceding chapters urge collaborative action by the public and private sectors to provide greater opportunities for business to compete, both here and abroad, and to reduce the human costs of casting aside the nation's most experienced workers, costs that not only weaken the United States as a society, but eventually show up as a tax burden.

The authors have examined three major forces and their relevance to mature workers. It is clear that demographics have triggered changes in the composition of the workforce, that the recession has caused a number of company-specific and economywide changes in the workforce and in the conditions of employment, and that many companies are undergoing structural realignment related to changing market realities, particularly global competition.

Less clear is the impact of these trends on specific labor markets. Nearly all new jobs for U.S. workers in the past 10 years have been created by small companies, most of which operate at the local or regional level. Foreign companies have also created U.S. jobs for U.S. workers. At the international level, large American companies have been net losers of jobs for U.S. workers. The competitiveness issue cuts across global and domestic economies. What is the role of older workers in improving the competitiveness of companies in these two arenas? Is this role the same for national and international competitors? How can older workers be prepared for their new role? What changes in public and private policy can enhance it? These are among the issues examined throughout this book, and they are the focus of the private and public policy recommendations presented here.

From the great sweep of changes set forth by Robert B. Reich and Rosabeth Moss Kanter to the detailed description of institutional

and workforce changes by Michael Useem and Douglas T. Hall and Philip H. Mirvis, it is clear that momentous transformations are under way in the U.S. economy and in the workplace. These require a new look at the relationship among business, the workforce, and government.

In *The Work of Nations*, Reich wrote of the structural changes brought on by global competition and technological change.¹ More recently, Paul Krugman challenged the extent of the impact of global competition on the U.S. economy. In *Peddling Prosperity*, he maintains that imports and exports have been about 10-11 percent of gross domestic product since the 1980s and that global competition has had relatively little impact on the current changes.² Both agree, however, that competition is a major factor in the ongoing structural change process, especially in the growth of America's complex internal economy. Competitiveness issues will become even more crucial as the North American Free Trade Agreement (NAFTA) exercises a greater influence on the economy.

With competitiveness a primary driving force in the economy, the workforce must be prepared to become and remain competitive. Regardless of size, individual businesses need to recognize the economic advantage in maintaining and even improving their human capital, as cutting-edge companies such as Xerox, Motorola, and AT&T have done.

Technological change and organizational restructuring, as well as global competition, impact older workers. Technological change affects the skill and knowledge base of individual workers and of the businesses in which they work. Organizational restructuring is a response in part to technological change. It is also a response to staffing excesses, which caught up with American businesses as competitiveness (both global and domestic) intensified and the recession of 1985-91 lingered. Many companies looked to the middle and higher levels of management as major cost-cutting targets. Important factors in the cost-cutting equation were salary levels, pensions, and health care costs, which meant that a disproportionate number of mature workers were affected, as Useem points out in Chapter 1.

Indeed, downsizing has had a dramatic impact on older workers. Throughout the labor market, careers have become less stable as fewer jobs remain certain for the long term. In addition, the economics of the workplace are changing as the costs of insurance, health care, and pensions shift to employees. The increase in employment risk underscores the need for new policies to ensure that every

segment of the workforce, including older workers, has the opportunity to be more productive and to share in economic progress.³ Without such public policy initiatives, a large portion of the population will be left with limited access to skill and knowledge development, as Barbara R. McIntosh predicts in Chapter 5.

Retirement practices should be reexamined. What are the implications for a society in which the number of retired continues to increase rapidly while the number of workers continues to decline? Several possibilities loom:

- creation of a new poor, with "retirement" extended by 20 or more years, a factor affecting older women in particular;
- increased social costs in, for example, food stamps and Medicaid;
- loss of expertise to the economy as a whole;
- a smaller pool of young workers supporting a larger retiree pool for a much longer period.

The achievement of social goals, no matter how laudable, is not the principal function of business; it is often a requirement imposed by government. When contemplating social change, there are two alternatives: to develop mechanisms of enlightenment that provide an economic rationale or incentive for business participation, or to invoke the political process and seek to impose the desired change.

Given the current transformations in businesses and the workplace, what are the implications for policy? Each of the authors has made recommendations. A synthesis of their recommendations and a policy action agenda are offered here that emphasize the importance of both a private and a public sector role in developing a new social contract among business, workers, and the government.

RECOMMENDATIONS FOR PRIVATE POLICY RESPONSE

Technological innovation has been a primary agent of change in many U.S. businesses. Some change has been more rapid than others, and this factor has often been the difference between retention in the workplace or separation from the workplace, under one guise or another, of the mature worker.

In Chapter 4, Harold J. Tragash points to the move toward self-managed workers and work teams in the workplace. But many older workers are not prepared for this style of operation, just as many managers are unprepared for the changes that result from it.

Further, structural changes in American businesses may continue for some time, resulting in a continuing stream of older work-

ers without jobs. Many older workers are in industries where technology has changed the skill and knowledge requirements.

Anthony P. Carnevale and Susan Carol Stone discuss training and retraining in detail in Chapter 3, focusing on the older worker. Two broad issues require greater attention: company and post-company training, including in-service programs and training to upgrade skills. Upgrading investments in human capital must occur continuously.

As workers become more independent and more competitive, the issue of retraining becomes even more relevant. Today, people beginning their work lives need substantive retraining three or four times during their careers.⁴ Such training is equally important for those already in the workforce.

Recommendation: Sponsor public education programs, perhaps through national business associations and unions, to promote the idea of continuous company-sponsored training as part of capital investment—in this case, human capital.

Companies, unions, and the education system must also provide training to ensure that entry-level workers have basic skills and knowledge and particularly that they realize that learning is a lifelong task. A number of companies, most notably in the steel, automobile, telecommunications, and apparel industries, are already encouraging a model of lifelong learning.

The "protean career" that Hall and Mirvis outline in Chapter 2 involves workers proactively managing their work lives. The structures within which people work and the rewards they gain from that work are becoming increasingly fluid, as Kanter's discussion of entrepreneurship points out. Individuals are assuming more responsibility for charting and preparing for a career course and then are having to repeat the process at another career stage.

Recommendation: Through business, unions, and the education system, foster the understanding that lifelong learning is required for economic success and that employees must prepare for multistage careers.

The role of unions is vital in helping to prepare the workforce to become competitive. As U.S. businesses have restructured, unions have lost membership. Although unions currently represent only about 15 percent of the workforce, that representation is in key

industries, and unions' approach to retraining and retention strategies will be critical for older workers.

The production of the Saturn automobile is a model for labor-management cooperative relationships. Beginning in 1982, the United Auto Workers and General Motors entered into a special relationship to build a new automobile, using production teams and shared responsibility throughout the process—for example, in production decisions, supplier selection, and advertising. This partnership has been a phenomenal success, although not without problems regarding the changed relationships between union leaders and management and between union leaders and members.⁵ The leadership of the United Steel Workers has also been active in seeking new relationships to reenergize the steel industry, working with management and its own members to restructure plants and processes not only to save jobs but also to help restore the industry to its competitive edge. Other unions, such as the Machinists, the Communications Workers of America, the Grain Millers, and the International Brotherhood of Electrical Workers, have developed innovative labor-management agreements, including path-breaking training programs.⁶

Recommendation: Draw upon the experiences of the labor movement for models of cooperative workplace relationships.

Michael J. Driver's discussion of the changes in personal work styles and career patterns in Chapter 6 is particularly relevant to the integration or reintegration of older workers into the workforce. For many mature workers, their workforce styles have resulted in the loss of jobs. Much of the current reentry training ignores the changed requirements that the revolution in the workplace has meant for worker behavior styles.

Recommendation: Include components that address changing work styles in all current and future training/retraining and that encourage greater recognition of the importance of these styles to survival in the workplace.

RECOMMENDATIONS FOR PUBLIC POLICY RESPONSE

As this book goes to press, there is serious debate about the Clinton administration's proposed Re-Employment Act (H.R. 4040), which concerns those who have lost their jobs and cannot return to their former companies. The proposed bill would tie the training and

retraining of dislocated workers to the unemployment compensation system and would provide extensive training (up to 104 weeks within a five-year period) for those who are eligible. The bill would authorize more than \$1 billion through 1999 to oversee the coordination of six federal dislocated worker programs, and it would encourage states to establish one-stop skill centers to serve as job training, career counseling, and referral hubs. A provision in the bill would levy a 0.2 percent surcharge on businesses to help underwrite the costs of long-term vocational training for selected dislocated workers. Labor Secretary Reich defines this surcharge as an "expansion" of what employers already contribute to the federal unemployment insurance (UI) pool.

Fortunately, the eligibility criteria are tied to employment and not to age. However, a section in H.R. 4040 entitled "Supplemental Wage Allowance for Older Workers" provides that someone over age 55 can receive a supplemental wage allowance if the "individual accepts full-time employment at a weekly wage that is *less than such individual's preceding wage*" (emphasis added). The Bureau of Labor Statistics has consistently reported that the older the worker, the longer that worker will be unemployed and the lower the rate of pay when the worker returns. Although the provision may exacerbate this situation by encouraging older workers to accept jobs at reduced pay levels and employers to hire older workers as inexpensively as possible, it might reduce the duration of unemployment for some older workers.

Clearly, public response is needed for the thousands of older workers who need help reentering the workforce. Such an approach can be seen as an investment similar to the G.I. Bill, one of the most important social and economic revolutions in the United States. If the thousands of untrained, undertrained, unemployed, or underemployed mature workers could return to productive activity, tremendous social and economic payoffs would result.

Recommendation: Pass employment legislation that links unemployment compensation with training and retraining comparable to President Clinton's proposed Re-Employment Act. However, the current networks for older workers should be maintained to ensure targeted service at the local level to this rapidly growing population.

Not only do older workers add new skills and knowledge to the economy when they are reintegrated into the workforce, but they

also become taxpayers again. Further, the current pension and health care systems allow many of them to prepare for a future that includes funded retirement.

To improve the long-term functioning of the workforce, pensions and health care should be taken off the table as employment incentives. Neither benefit covers all workers. For example, just under 50 percent of American workers receive pensions. This means that the social security system becomes the primary support for many older people after they leave paid employment. In addition, in recent years, even companies that provide pension coverage for their employees have changed their systems from defined benefit to defined contribution plans, thus shifting a greater burden for building retirement income on to the worker. These trends will increasingly impact tomorrow's workers. There will be more movement from job to job, and perhaps from industry to industry, where pension practices vary, making pension portability important.

Recommendation: Provide full pension portability at the earliest opportunity.

Health care coverage, too, must be changed. Millions of workers, many of whom work in two or three jobs, 60 to 80 hours a week, have no health care coverage. The Clinton administration has begun a complex process to enact universal coverage and to make the system more competitive. Under the current system, older workers (and especially retirees) are increasingly being viewed as significant liabilities, and pressures are mounting for differential treatment. This will result in the erosion of health care for employees and their families as employees age. As Ray Marshall notes in Chapter 7, if health care were universal, it could no longer be used in making downsizing decisions, and the total cost of health care would be more broadly and fairly shared.

Recommendation: Pass a national health care plan that provides universal coverage.

The California Employment Training Panel, established in 1982, runs cooperative business-labor programs that retrain displaced workers and employees in danger of losing their jobs. The state-funded agency is supported by 0.1 percent of employers' unemployment insurance contributions, and it reimburses private businesses that contract out to local education agencies to train their

employees. Any California employee who is covered by UI benefits can participate in the program. Employers seeking retraining funds must prove that workers' jobs are threatened by out-of-state competition, as well as one of the following: that workers seeking training will be laid off unless they are retrained; that the company is creating a high performance workplace requiring more skilled workers; or that the company is diversifying its products and services from defense to commercial products.⁷ Researchers estimate that California has saved \$8.8 million in UI benefits through this program, has increased worker earnings by \$90.5 million, and has prevented job loss by retraining workers before they become unemployed.

Recommendation: Encourage replication of the California Employment Training Panel model in other states facing severe industry dislocation and skill obsolescence of major segments of the workforce.

As McIntosh discusses in Chapter 5, older workers are not the only group facing discrimination. Minorities, women, and people with physical or mental disabilities also lack equitable economic opportunities. After years of debate, the Civil Rights Act, the Age Discrimination in Employment Act, and the Americans with Disabilities Act were enacted. Although passage of these laws has focused attention on the problems and access to employment has been somewhat improved, stricter compliance would produce greater results.

As noted, access to training will be increasingly important in the employability of individuals. The degree that the disadvantaged already participate in training is frequently overlooked. Both the current Job Training Partnership Act (JTPA) and the proposed Re-Employment Act emphasize service to disadvantaged groups.

However, training has not been as available for older people and those with disabilities. Separate employment and training networks have been established to serve these groups, resulting in some improvement in their access to employment.

Recommendation: Improve education, oversight, and compliance with regard to the Civil Rights Act, the Age Discrimination in Employment Act, and the Americans with Disabilities Act.

An important trend to be considered in terms of its impact on companies' competitiveness is the effect of activist management of

very large pension funds on the board structure and management direction of companies in which the funds are invested. Recently, the California Public Employees Retirement System examined the relationship between the investment of companies in their workers and the companies' profitability. The results suggest that this should be one factor in deciding where to invest.⁸ How companies treat their workers is a critical factor in improving the economic performance of firms, in ways that serve the interests of workers, consumers, stockholders, and society.

Recommendation: Urge large pension fund managers, including unions, to increase their efforts to influence the development and continued renewal of a quality workforce.

RECOMMENDATIONS FOR THE EDUCATION SYSTEM

Many of the authors in this volume have joined the chorus throughout the country calling for major changes in the education system. Although most people agree that change is necessary, they disagree on the form these changes should take. A national vision has been difficult to achieve in part because of the local diversity of the U.S. education system; it is the most locally driven institution nationwide, with 15,000 school systems and boards of education.

The Clinton administration has emphasized the need to prepare youths not attending college for an orderly transition to the workforce. This area clearly deserves greater attention. Toward this end, the administration has announced a set of national standards that would ensure the quality of the workforce and has encouraged individual states and school districts to modify curricula to meet these standards. Both the Departments of Labor and Education have worked hard to develop consensus with associations, unions, states, and school districts.

Marshall makes a strong case in Chapter 7 for greater investment in school-to-work components for youth. The training of the large number of young adults who have already left school must also be addressed.

Federal job training programs should be reformed and consolidated to prevent an increasing number of workers from being left behind by technological change.

Led principally by the community college system, postsecondary education institutions have begun offering courses to meet the entry and reentry needs of older workers, although more must be

done in this area. Another positive development is the recent increased funding for the Economic Dislocation and Worker Adjustment Assistance Act (EDWAAA).

The vocational education system has become a key player in the JTPA system, thus serving more adults, including older adults. The adult basic education system has been similarly reoriented to meet vocational requirements.

The needs of the rapidly growing cohort of displaced older workers who want full-time jobs must also be met. Between 1987 and 1992, more than 12 million people were classified as dislocated workers. Put another way, downsizing occurred at the rate of more than 6,700 jobs per day during this period,⁹ and companies continue to downsize. Even though new jobs have been created, many dislocated workers do not qualify for them. This has led to the "New Jersey phenomenon"—a simultaneous labor surplus and labor shortage.

A system exists for training and education outside the traditional education establishment. In some ways, this on-the-job training system responds more expeditiously than the heavily bureaucratic traditional system. Vast taxpayer-supported resources exist that could meet many of these needs. The Departments of Labor and Education have begun to coordinate efforts in this area. The challenge is to develop a public policy that supports continued training and reskilling and that envisions a future workforce in which skill renewal is the norm, not the exception. This workforce would engage all age groups and skill levels in a continuous process to adjust or recast skills and knowledge to meet the demands of the economy.

Recommendation: Build on existing programs to increase the response of the education system to the needs of mature workers and to focus the education provisions of the Re-Employment Act on the untrained/undertrained adult and older worker groups.

More than any other factor impeding careful planning in human capital investment has been the focus of business on the short term. Business schools can help by changing the emphasis in the education of managers from a quarterly bottom-line focus to a five-year market-share horizon.¹⁰

Recommendation: Change the orientation and practices of the education system to better prepare managers and workers for an economy that requires both quick response and a five-year vision.

A NEW SOCIAL CONTRACT

In 1980, the Work in America Institute surveyed the employment prospects for older workers and outlined the workforce barriers they faced.¹¹ Most of the negative forces that were squeezing older workers out of the labor force in 1980 are as prevalent today:

- downsizing and restructuring;
- hiring practices that discriminate against older workers;
- a youth-oriented culture that assumes young people are the main sources of the vitality and knowledge needed to run successful enterprises;
- slow growth, creating too few new jobs, a low minimum wage, and inadequate labor exchanges;
- cost pressures that encourage employers to reduce the number of older workers in favor of lower paid younger workers;
- negative stereotypes about older workers' productivity;
- national policies that reduce work opportunities for older people by failing to provide resources, retraining, and coordinated support;
- the income gap in the current social security law, whose tax impact discourages older people from working.

It is a mark of the condition of older workers that so few changes have occurred from that time to this.

Post-World War II relationships and understandings among business, employees, unions, and government clearly no longer serve any of these groups well. America cannot afford to let its rapidly growing older workforce become either dependent or unproductive. What is needed is a social contract among government, business, and workers that defines the responsibility of each and the share society will bear if workers become incapacitated in old age. The form this new social contract should take and its public policy implications for an aging workforce are key issues for debate.

We close this chapter by turning again to Marshall, who outlines the direction the nation should take for a better future and a new relationship among business, workers, and all citizens. Three recommendations summarize the issues raised here:

- Commit to a high productivity, high income strategy.
- Avoid racial, ethnic, gender, and generational conflict, focusing on equity as well as on efficiency.
- Ensure that investment in the health and education of all becomes a high priority.

Although America is the single most powerful economy in the world, it cannot sustain benefits for all its citizens without reexamining and recasting the relationships of the past to forge a new social contract that will balance a sense of community with individualism and that will halt the movement toward a two-tiered society. A new social contract is necessary to recognize that even as people age, they can compete.

NOTES

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Aging and Competition: Rebuilding the U.S. Workforce

**Edited by
James A. Auerbach and Joyce C. Welsh**

**With an Introduction by
Robert B. Reich
U.S. Secretary of Labor**

"A national economic strategy that puts people first ... is a hard-nosed response to economic reality. U.S. competitive strategy must be based on the American workforce because the people are the only resource that remains in any meaningful sense American. ... Our only realistic strategy hinges on investing in that collective capacity."

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